Financial Statements
June 30, 2020

San Luis Obispo County Community College District

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Schedule of Findings and Questioned Costs

Independent Auditor's Report

Board of Trustees
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 business-type activities and the aggregate remaining fund information of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions 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 the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, 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.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 16, and other required supplementary schedules on pages 70 through 74 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 schedule of expenditures of federal awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2021

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, 2020 and 2019. 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.

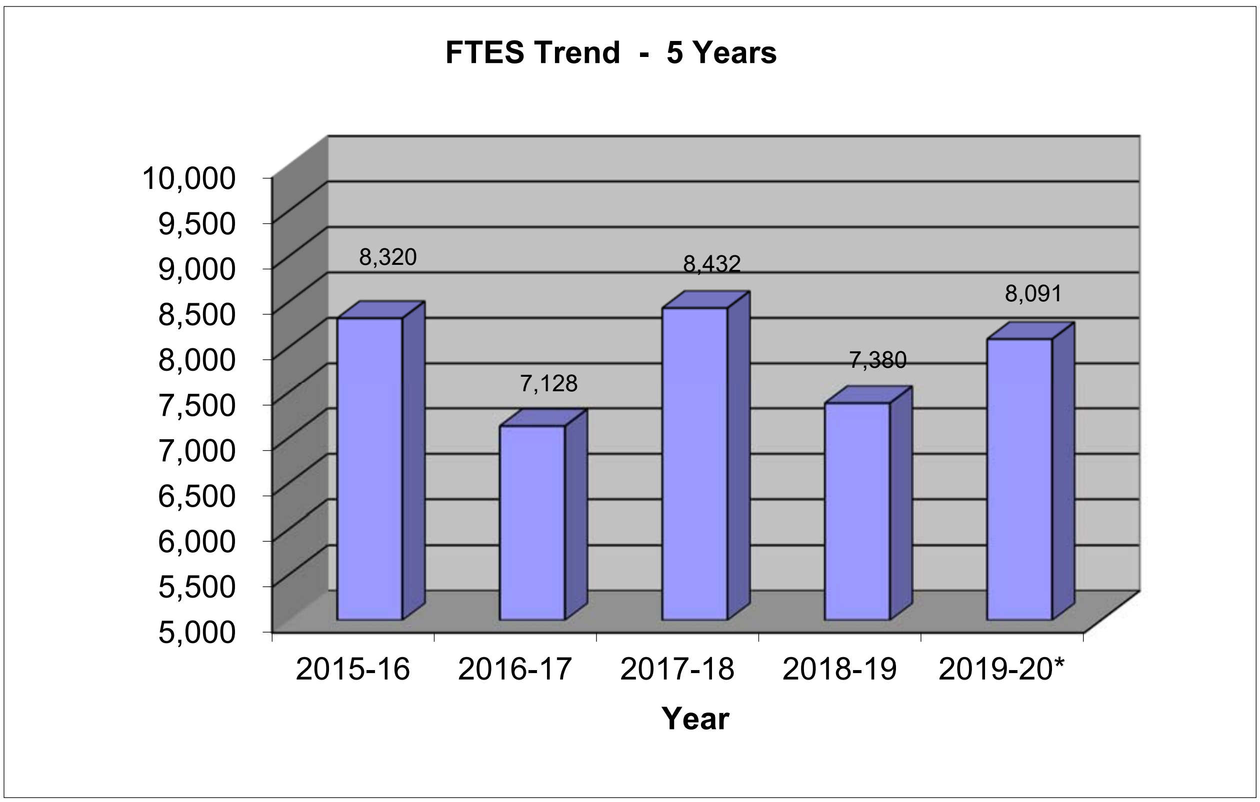
FINANCIAL HIGHLIGHTS

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.

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 percent of the system's general apportionment funding will be based on FTES, with 10 percent 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 percent 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 2023-2024 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 district is projecting to be in hold harmless through 2023-2024.

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



*For 2019-2020 FTES reported, the District submitted the Emergency Conditions Allowance for COVID-19 that allows the District to elect P1 reported FTES for funding purposes only.

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 2019-2020 as compared to fiscal year 2018-2019:

	2020	2019	Difference
Property tax	$ 44,664,826	$ 41,823,917	$ 2,840,909
Enrollment fees	3,355,128	3,802,544	(447,416)
Apportionment	440,930	4,110,293	(3,669,363)
Education Protection Act	4,102,389	312,107	3,790,282
Total	$ 52,563,273	$ 50,048,861	$ 2,514,412

CONDENSED DISTRICT-WIDE FINANCIAL INFORMATION IS AS FOLLOWS:

Condensed Statement of Net Position as of June 30, 2020 and 2019

	2020	2019
Assets		
Cash, investments, and receivables	$ 72,528,806	$ 94,845,298
Prepaid expenses	309,712	108,953
Capital assets, net of depreciation	191,166,805	176,914,839
Total assets	264,005,323	271,869,090
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	1,069,407	-
Deferred outflows of resources related to pensions	17,892,003	18,425,297
Total assets and deferred outflows	$ 282,966,733	$ 290,294,387
Liabilities		
Accounts payable and accrued liabilities	$ 8,480,813	$ 11,201,949
Unearned revenue	6,059,074	5,381,159
Long-term liabilities		
Long-term liabilities other than OPEB and pensions, due within one year	8,104,867	7,734,055
Long-term liabilities other than OPEB and pensions, due in more than one year	124,935,961	133,338,352
Aggregate net OPEB liability	1,929,862	726,331
Aggregate net pension liability	68,590,499	65,343,367
Total liabilities	218,101,076	223,725,213
Deferred Inflows of Resources		
Deferred inflows of resources related OPEB	7,870	8,682
Deferred inflows of resources related to pensions	7,242,079	7,019,153
Total deferred inflows of resources	7,249,949	7,027,835
Net Position		
Net investment in capital assets	86,140,649	86,209,904
Restricted	24,329,405	22,585,999
Unrestricted deficit	(52,854,346)	(49,254,564)
Total net position	57,615,708	59,541,339
Total liabilities, deferred inflows, and net position	$ 282,966,733	$ 290,294,387

The preceding schedule has been prepared from the District's Statement of Net Position (page 17) 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, bookstore reserves, and general reserves to ensure the ongoing financial health of the District.

Cash, investments and receivables decreased by $22,316,492 while capital assets net of depreciation increased by $14,251,966 . Accounts payable and accrued liabilities decreased by $2,721,136. This was primarily due to the District’s Measure L General Obligation Bond program. Cash from bond proceeds was spent and capital assets increased.

Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Tuition and fees, net	$ 6,095,628	$ 6,902,269
Grants and contracts, noncapital	12,030,318	12,202,051
Auxiliary sales and charges, internal service sales and charges	574,263	2,106,739
Total operating revenues	18,700,209	21,211,059
Operating Expenses		
Salaries and benefits	64,518,632	61,196,949
Supplies, materials, and other operating expense and services	12,975,846	17,506,494
Equipment, maintenance, and repairs	2,178,236	-
Student financial aid	15,724,735	13,695,614
Depreciation	6,030,862	4,847,148
Total operating expenses	101,428,311	97,246,205
Operating Loss	(82,728,102)	(76,035,146)
Nonoperating Revenues (Expenses)		
State apportionments, noncapital	4,355,209	5,675,880
Property taxes	57,801,728	54,370,676
Federal and State financial aid grants, noncapital	15,748,232	13,695,614
State revenues	4,335,948	6,833,849
Investment income	1,359,273	1,735,767
Interest expense	(4,551,371)	(4,845,047)
Other nonoperating revenues	1,636,245	570,095
Total nonoperating revenues (expenses)	80,685,264	78,036,834
Income (Loss) before other revenues	(2,042,838)	2,001,688
Other Revenues (Losses)		
State and local capital income	152,475	110,488
Loss on disposal of capital assets	(35,268)	(1,568)
Total other revenues (losses)	117,207	108,920
Change in Net Position	$ (1,925,631)	$ 2,110,608

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.

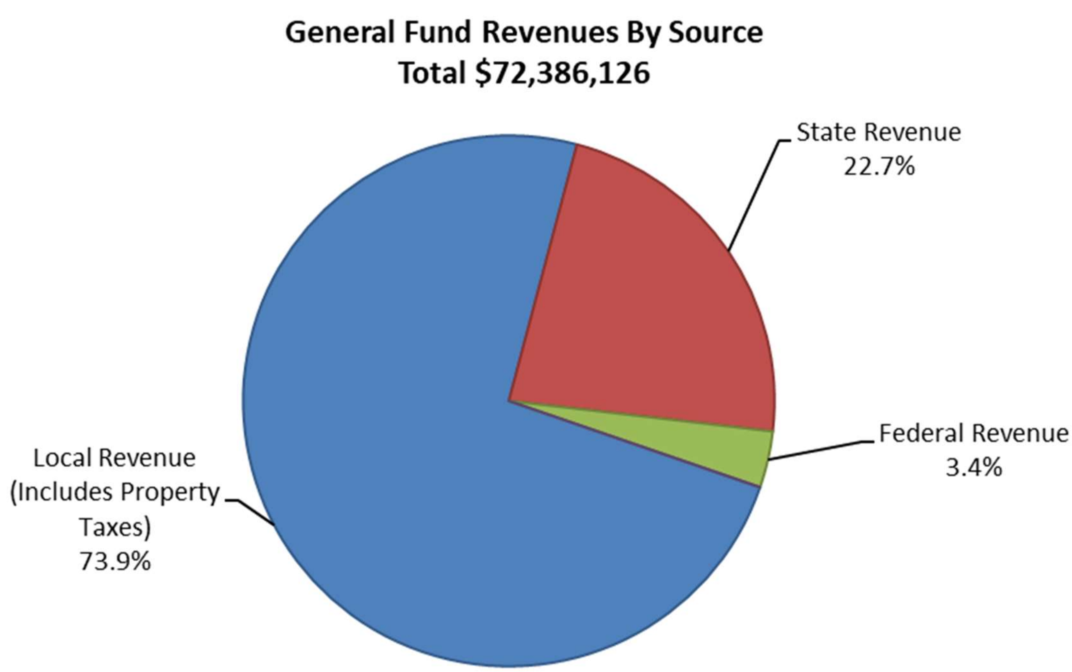
Operating revenues decreased by $2,510,850 from the prior year as a result of a combination of a net decrease in total grants and contracts revenue of $171,733 , a decrease of $806,641 of net tuition and fees, and absence of bookstore charges and sales due to outsourcing this function to a third-party. Total operating expenditures increased by $4,182,106. Salaries and benefits increased by $3,321,683. The increase is primarily due to step/column/longevity salary increases, increases to the District's STRS and PERS contribution rates, and a negotiated salary increase.

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.

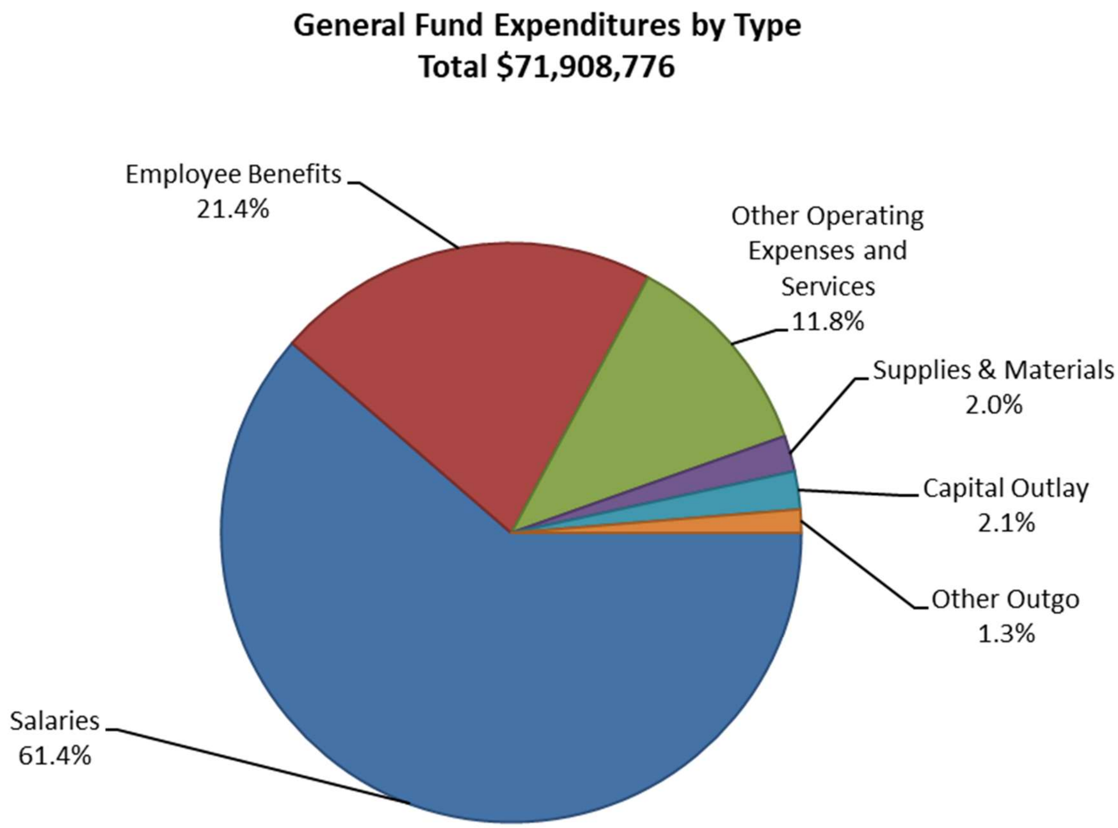
General Fund Revenues by Source

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



General Fund Expenditures by Type

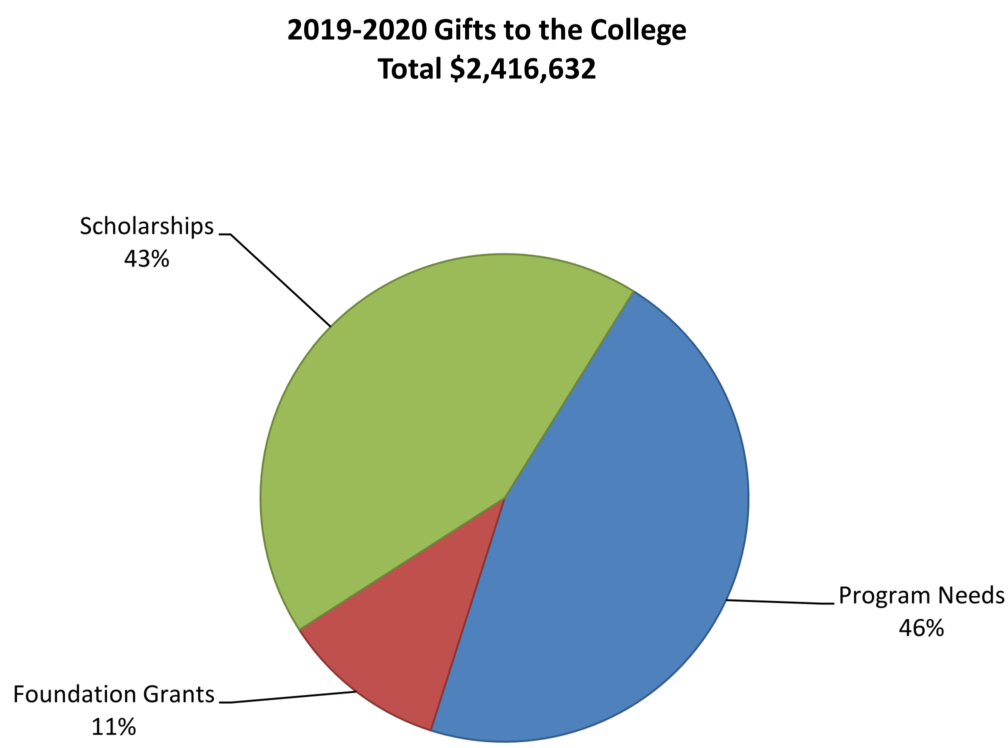
The chart below depicts the District's General Fund total expenditures by type:



Gifts Received from the Cuesta College Foundation

The Cuesta College Foundation provides essential financial support for the college's programs, services, scholarships, and capital campaigns.

The chart below depicts the gifts the college received from of the Cuesta College Foundation.



Expenditures by Activity

The following table summarizes the District's expenditures by activity for the year ended June 30, 2020:

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses, Services, and Student Aid	Depreciation	Total
Instructional	$ 22,241,146	$ 9,313,665	$ 943,952	$ -	$ 32,498,763
Academic support	3,378,448	1,228,190	141,692	-	4,748,330
Student services	7,465,061	3,074,472	698,348	-	11,237,881
Operation and maintenance of plant	2,205,604	1,246,442	1,049,438	-	4,501,484
Institutional support	7,095,205	3,998,156	2,127,069	-	13,220,430
Community services and economic development	555,074	153,743	123,810	-	832,627
Auxiliary operations	1,877,573	685,853	613,190	-	3,176,616
Student aid	-	-	15,724,735	-	15,724,735
Other outgo	-	-	9,456,583	-	9,456,583
Depreciation	-	-	-	6,030,862	6,030,862
Total	$ 44,818,111	$ 19,700,521	$ 30,878,817	$ 6,030,862	$ 101,428,311

Condensed Statement of Cash Flows for the Years Ended June 30, 2020 and 2019

Amounts in thousands

	2020	2019
Cash Provided by (Used in)		
Operating activities	$ (78,367,767)	$ (69,747,821)
Noncapital financing activities	72,231,821	70,461,599
Capital financing activities	(18,269,676)	(19,647,118)
Investing activities	991,816	1,377,025
Net Change in Cash and Cash Equivalents	(23,413,806)	(17,556,315)
Cash and Cash Equivalents, Beginning of Year	88,285,781	105,842,096
Cash and Cash Equivalents, End of Year	$ 64,871,975	$ 88,285,781

The previous schedule has been prepared from the Statement of Cash Flows presented on pages 19 and 20. 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.

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 percent approval to be successful; it achieved 62 percent. 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 will be 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. These proceeds have been fully spent.

The second bond series of $73,000,000 was issued in January 2018. Projects scheduled for 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 Data Center Building, Aquatics Center, and various building and technology upgrades have been completed. The North Count Early Childhood Education Center is scheduled to be completed in the spring of 2021.

The third bond series of $70,000,000 will be issued in February 2021. Projects scheduled for the third issuance include; SLO Campus Center, switchgear replacement, HVAC/roof replacements, technology upgrades and the Trades & Technology Building design. Current information on the bond program can be found at www.cuestacollegebond.info.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

State Budget Overview

On May 14th, Governor Newsom released his May Revision. As much of the state's and nation's economy had been shut down since March due to the COVID-19 outbreak, it was not surprising to see that the state's fiscal condition had significantly worsened since the initial budget proposal in January. The numbers released by the Department of Finance (DOF) painted a dire picture: An economy expected to retract by 5% during 2020; a state unemployment rate projected to reach as high as 24.5%; a decline of 9% in personal income. In many ways, these economic numbers were worse than what the state experienced during the Great Recession.

The negative economic factors had a corresponding impact on the state's revenues, according to DOF. Significant projected declines in income, sales, and corporate tax revenues would lead to an estimated reduction of $41 billion in state revenues through the 2020-21 fiscal year. Combined with increased expenditures in health care and other areas related to the pandemic, the Governor identified the total budget problem at $54.1 billion.

Further, DOF expects the pandemic's impact on state finances will be a multiyear problem – the forecast projects state revenues even in 2023-24 to remain below the level of the 2018-19 budget. To address this problem, Governor Newsom proposed deep expenditure reductions across most areas of the budget, including education. The Governor, though, included a positive trigger that would restore specified funding to education and other areas should new federal stimulus funds be allocated to the state by October 1.

The Legislature preferred to take a very different approach. Rather than restore funds should federal stimulus materialize later in the year, they preferred to assume those funds in the initial budget. An initial agreement reached between the two houses would have funded increases for education, including a COLA, and a partial deferral of funding to 2021-22.

On June 22nd, the Governor and Legislature announced that they had bridged the gap between their two approaches and reached agreement on the 2020-21 Budget. While the Legislature didn't get the funding increases they had sought, the Governor agreed to ease back on immediate reductions and fund a relatively flat budget for K14 education that would be supported by massive deferrals into the 2021-22 fiscal year. If federal stimulus materializes, a portion of the deferrals would be rolled back. Thus, the two sides compromised on total funding, the Governor got his way on the trigger approach, and the Legislature managed to preserve certain programs through deferred payments.

The key question raised by the budget agreement is whether or not the economy can support its assumptions. The state is working with incomplete economic data in a volatile economic period. It's not clear that there will be another round of federal stimulus or that it will be substantial and flexible enough to help the state. Also, the depth and duration of the pandemic remains unknown. While some businesses have begun to reopen or reopen partially, the state continues to see significant new COVID-19 cases and hospitalizations, making a return to normal unlikely in the near term. It's possible that an economic recovery from the depths of March and April may not come as rapidly as hoped. If the recovery is slower than what was anticipated by lawmakers in June, there may be a need to revise the Budget during the year. For these reasons, the district should budget cautiously.

Education Funding

The 2020-21 Proposition 98 minimum guarantee saw a dramatic drop from an estimated $84 billion as of January to $70.5 billion in the final budget. Given losses of this magnitude, one would normally expect more direct reductions to be enacted in the budget, but the Legislature insisted on utilizing deferrals in lieu of direct reductions.

For community colleges, the year-over-year budget includes very few changes, but it does come with some significant risks. Key features include:

- No funding for a COLA or growth
- Extends the SCFF hold harmless by two years through the 2023-24 fiscal year
- Calbright College's ongoing budget was reduced by $5 million, and it also lost $40 million in one-time funding
- Provides $10 million for immigrant legal services
- Provides $120 million in one-time resources for a block grant intended to support local responses to COVID-19 related student, educational, and technology needs

- Reduces anticipated employer contribution costs to CalPERS and CalSTRS by approximately 2% each for the 2020-21 and 2021-22 fiscal years
- Adjusts the 50% Law to accommodate expenditures related to COVID-19
- Limits the ability of districts to layoff personnel within certain classifications

As noted, the agreement avoids immediate reductions through a major deferral of funding payments into subsequent budget years. Community Colleges will have $332 million deferred from 2019-20 to 2020-21, and $1.453 billion deferred from 2020-21 until 2021-22. Normally, state deferrals only involve the general apportionment, but these figures are so large that the Chancellor’s Office must look to categorical programs to meet the deferral target. The district will have $2.5 million (out of $2.7 million) of the Student Equity and Achievement Program (SEA) deferred until 2021-22. If Federal stimulus materializes, as much as $791.1 million of the deferral would be paid down.

Challenges Ahead

With so much uncertainty clouding the horizon, the district will need to budget cautiously. While revenues for 2020-21 are essentially flat – a much better outcome than Governor Newsom proposed at the May Revision – the state revenue picture remains troubling. Indeed, the state budget is based on deferring funds into a future year that may be no better than 2020-21. Given the Department of Finance’s forecast that revenues will not fully recover to prior levels for several years, it is possible that colleges will not see COLAs or other significant funding increases in the near future. If state funding remains flat (or decreases), the district could fall into basic aid status in the near future.

To maintain balanced budgets, the district will need to consider the following:

- Restrain expenditures and explore alternative revenues beyond state resources
- Manage enrollment
- Monitor cash to handle deferrals
- Be prepared for the spike in pension costs in 2022-23 once the state’s mitigation ends
- Be prepared for revenue losses related to online instruction (e.g., lost parking fees)
- Provide COVID-19-related supplies, including masks, sanitizer, and cleaning supplies
- Maintain prudent reserves and contingency funds
- Account for increases in technology costs and other service needs

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.

Assets	
Cash and cash equivalents	$ 718,909
Investments	64,153,066
Accounts receivable	5,350,270
Student receivables, net	2,206,561
Due from fiduciary funds	100,000
Prepaid expenses	309,712
Capital assets	
Nondepreciable capital assets	21,612,725
Depreciable capital assets, net of depreciation	169,554,080
Total capital assets	191,166,805
Total assets	264,005,323
Deferred Outflows of Resources	
Deferred outflows of resources related to other postemployment benefits liability (OPEB)	1,069,407
Deferred outflows of resources related to pensions	17,892,003
Total deferred outflows of resources	18,961,410
Liabilities	
Accounts payable	6,375,023
Accrued interest payable	2,105,790
Unearned revenue	6,059,074
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	8,104,867
Long-term liabilities other than OPEB and pensions, due in more than one year	124,935,961
Aggregate net OPEB liability	1,929,862
Aggregate net pension liability	68,590,499
Total liabilities	218,101,076
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	7,870
Deferred inflows of resources related to pensions	7,242,079
Total deferred inflows of resources	7,249,949
Net Position	
Net investment in capital assets	86,140,649
Restricted for:	
Debt service	22,032,427
Capital projects	864,727
Educational programs	1,041,851
Other activities	390,400
Unrestricted deficit	(52,854,346)
Total net position	$ 57,615,708

Operating Revenues	
Student tuition and fees	$ 9,910,801
Less: scholarship discounts and allowances	(3,815,173)
Net tuition and fees	6,095,628
Grants and contracts, noncapital	
Federal	2,371,109
State	7,988,403
Local	1,670,806
Total grants and contracts, noncapital	12,030,318
Internal service sales and charges	574,263
Total operating revenues	18,700,209
Operating Expenses	
Salaries	44,818,111
Employee benefits	19,700,521
Supplies, materials, and other operating expenses and services	12,975,846
Equipment, maintenance, and repairs	2,178,236
Student financial aid	15,724,735
Depreciation	6,030,862
Total operating expenses	101,428,311
Operating loss	(82,728,102)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	4,355,209
Local property taxes, levied for general purposes	44,425,059
Local property taxes levied for capital debt	13,376,669
Federal financial aid grants, noncapital	12,940,332
State financial aid grants, noncapital	2,807,900
State taxes and other revenues	4,335,948
Investment income	991,816
Interest expense on capital related debt	(4,551,371)
Investment income on capital asset-related debt	367,457
Other nonoperating revenues	1,636,245
Total nonoperating revenues (expenses)	80,685,264
Income before other revenues	(2,042,838)
Other Revenues (Losses)	
State revenues, capital	28,693
Local revenues, capital	123,782
Loss on disposal of capital assets	(35,268)
Total other revenues (losses)	117,207
Change in Net Position	(1,925,631)
Net Position, Beginning of Year	59,541,339
Net Position, End of Year	$ 57,615,708

	2020
Operating Activities	
Tuition and fees	$ 3,965,804
Federal and State grants and contracts	9,239,036
Payments of student financial aid	(15,724,735)
Payments to vendors for supplies and services	(15,886,346)
Payments to or on behalf of employees	(60,535,789)
Internal service sales and charges	574,263
Net Cash from Operating Activities	(78,367,767)
Noncapital Financing Activities	
State apportionments	1,563,944
Federal and State financial aid grants	16,482,401
Property taxes - nondebt related	44,425,059
State taxes and other apportionments	4,335,948
Other nonoperating revenues	5,424,469
Net Cash from Noncapital Financing Activities	72,231,821
Capital Financing Activities	
Purchase of capital assets	(19,447,575)
State revenue, capital projects	28,693
Local revenue, capital projects	123,782
Property taxes - related to capital debt	13,376,669
Principal paid on capital debt	(7,513,269)
Interest paid on capital debt	(5,205,433)
Interest received on capital asset-related debt	367,457
Net Cash from Capital Financing Activities	(18,269,676)
Investing Activities	
Interest received from investments	991,816
Net Change in Cash and Cash Equivalents	(23,413,806)
Cash and Cash Equivalents, Beginning of Year	88,285,781
Cash and Cash Equivalents, End of Year	$ 64,871,975

Reconciliation of net operating loss to net cash flows from operating activities	
Operating Loss	$ (82,728,102)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	6,030,862
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Receivables and student receivables, net	(4,864,852)
Prepaid expenses and other assets	(200,759)
Accounts payable and accrued liabilities	(698,182)
Unearned revenue	(56,254)
Deferred outflows of resources related to pensions	533,294
Deferred outflows of resources related to OPEB	(1,069,407)
Deferred inflows of resources related to pensions	222,926
Deferred inflows of resources related to OPEB	(812)
Aggregate net pension liability	3,247,132
Aggregate net OPEB liability	1,203,531
Compensated absences, compensatory time, load banking, and PARS supplemental retirement plan	12,856
Net Cash from Operating Activities	$ (78,367,767)
Cash and cash equivalents consist of the following:	
Cash in banks	$ 718,909
Investments	1,124,258
Cash in County Treasury	63,028,808
Total cash and cash equivalents	$ 64,871,975
Noncash transactions	
Amortization of debt premium	$ 531,166

	Trust Funds	STRS and PERS Irrevocable Trust	Agency Funds
Assets			
Investments	$ 385,846	$ 3,455,969	$ 348,556
Accounts receivable	65,792	-	-
Total assets	451,638	3,455,969	$ 348,556
Liabilities			
Accounts payable	5,250	-	$ 82
Due to primary government	100,000	-	-
Due to student groups	-	-	348,474
Total liabilities	105,250	-	$ 348,556
Net Position			
Restricted	-	3,455,969	
Unrestricted	346,388	-	
Total net position	$ 346,388	$ 3,455,969	

	Trust Funds	STRS and PERS Irrevocable Trust
Additions		
Local revenues	$ 825,262	$ 208,891
Deductions		
Classified salaries	26,958	-
Employee benefits	1,084	-
Books and supplies	8,139	-
Services and operating expenditures	66,815	-
Administrative expenses	-	8,310
Capital outlay	37,928	-
Other uses - student aid	653,470	-
Total deductions	794,394	8,310
Change in Net Position	30,868	200,581
Net Position - Beginning of Year	315,520	3,255,388
Net Position - End of Year	$ 346,388	$ 3,455,969

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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. The District identified no component units that met this requirement.

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. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundation's financial statements in the District's annual report. Information on the Foundation may be requested through the Cuesta College Foundation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, 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 prescribed 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 intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations are classified as nonoperating revenue. 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 aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis.
- Basic Financial Statements for the District as a whole including:
    - Statement of Net Position - Primary Government
    - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
    - Statement of Cash Flows - Primary Government
    - Financial Statements for the Fiduciary Funds including:
        - Statement of Fiduciary Net Position
        - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year 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 are stated at cost or amortized cost.

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 majority of each residing in the State of California. 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 $2,670,426 for the year ended June 30, 2020.

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.

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.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements.

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 entity-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 .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.

Deferred Outflows/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 pension and OPEB related items.

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 pension and OPEB 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 includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include general obligation bonds, compensated absences, 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 their 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 $24,329,405 of restricted net position and the fiduciary funds financial statements report $3,455,969 of restricted net position.

Operating 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 Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student 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, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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.

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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG) Grants, and Federal College Work Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These 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.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented these standards as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor’s debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District’s financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued 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). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District’s financial statements have not yet been determined.

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

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 the 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 is recorded on the amortized cost basis.

General Authorizations

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

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

Authorized Under Debt Agreements

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, 2020, consist of the following:

Primary government	$ 64,871,975
Fiduciary funds	4,190,371
Total deposits and investments	$ 69,062,346
Cash on hand and in banks	$ 698,909
Cash in revolving	20,000
Investments	68,343,437
Total deposits and investments	$ 69,062,346

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 primarily in the San Luis Obispo County Treasury Investment Pool, mutual funds and equities.

Specific Identification

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

Investment Type	Reported Amount	Weighted Average Days to Maturity
San Luis Obispo County Tresury Investment Pool	$ 63,763,210	205
Mutual Funds	4,114,904	No maturity
Equities	465,323	No maturity
Total	$ 68,343,437	

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, 2020.

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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of approximately $139 thousand 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, 2020, the District's investment balance of approximately $4.6 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value	Level 1 Inputs
Mutual Funds	$ 4,114,904	$ 4,114,904
Equities	465,323	465,323
	$ 4,580,227	$ 4,580,227

All assets have been valued using a market approach, with quoted market prices.

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2020, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 1,515,288
State Government	
Apportionment	2,547,523
Categorical aid	401,694
Lottery	450,626
Local Sources	
Interest and other local sources	435,139
	$ 5,350,270
Student Receivables	$ 4,876,987
Allowance for Doubtful Accounts	(2,670,426)
Student receivables, net	$ 2,206,561

	Fiduciary Funds
Other local sources	$ 65,792

Note 6 - Capital Assets

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets not being depreciated				
Land	$ 1,216,661	$ -	$ -	$ 1,216,661
Construction in progress	13,446,043	13,710,010	(6,759,989)	20,396,064
Total capital assets not being depreciated	14,662,704	13,710,010	(6,759,989)	21,612,725
Capital assets being depreciated				
Land improvements	26,022,506	1,527,478		27,549,984
Buildings and improvements	192,839,762	11,406,100		204,245,862
Portable buildings	2,325,659	-		2,325,659
Equipment	5,446,271	234,365	(93,373)	5,587,263
Technology equipment	8,843,126	175,182		9,018,308
Vehicles	1,802,747	24,950	(21,254)	1,806,443
Total capital assets being depreciated	237,280,071	13,368,075	(114,627)	250,533,519
Total capital assets	251,942,775	27,078,085	(6,874,616)	272,146,244
Less accumulated depreciation				
Land improvements	(15,010,527)	(1,339,551)		(16,350,078)
Buildings and improvements	(45,343,624)	(101,369)		(45,444,993)
Portable buildings	(987,824)	(3,891,114)		(4,878,938)
Equipment	(4,189,356)	(286,446)	58,104	(4,417,698)
Technology equipment	(8,205,843)	(302,572)		(8,508,415)
Vehicles	(1,290,762)	(109,810)	21,255	(1,379,317)
Total accumulated depreciation	(75,027,936)	(6,030,862)	79,359	(80,979,439)
Net Capital Assets	$ 176,914,839	$ 21,047,223	$ (6,795,257)	$ 191,166,805

Depreciation expense for the year was $6,030,862.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Vendor payables	$ 1,523,268	$ 5,332
Construction	3,849,255	-
Accrued payroll and benefits	433,149	-
Instructional service agreements	548,665	-
State Categorical Aid	20,686	-
	$ 6,375,023	$ 5,332

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
State categorical aid	$ 4,542,545
Student tuition and fees and other	1,392,271
Other	124,258
	$ 6,059,074

Note 9 - Interfund Transactions

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the fiduciary funds owed the primary government $100,000.

Interfund Operating Transfers

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 funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2019-2020 fiscal year, there were no transfers between the primary government and fiduciary funds.

Note 10 - 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 consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Bonds Payable					
GO Bond, Election 2014:					
Series A, A-1	$ 53,100,000	$ -	$ (465,000)	$ 52,635,000	$ 570,000
GO Bond, Election 2014:					
Series B	73,000,000	-	(7,025,000)	65,975,000	7,290,000
Unamortized bond premium	12,099,934	-	(531,166)	11,568,768	-
Total bonds payable	138,199,934	-	(8,021,166)	130,178,768	7,860,000
Other Liabilities					
Compensated absences	1,547,188	176,225	-	1,723,413	-
Compensatory time	50,403	-	(15,616)	34,787	-
Load banking	319,467	73,033	-	392,500	-
Capital leases	72,271	-	(23,269)	49,002	24,081
PARS supplemental retirement plan	883,144	-	(220,786)	662,358	220,786
Total other liabilities	2,872,473	249,258	(259,671)	2,862,060	244,867
Total long-term liabilities	$ 141,072,407	$ 249,258	$ (8,280,837)	$ 133,040,828	$ 8,104,867

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. Compensated absences, compensatory time, and the PARS supplemental retirement plan will be paid by the fund for which the employee worked. Capital leases and load banking are paid by the unrestricted General Fund.

Bonded Debt

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 percent to 5.00 percent. At June 30, 2020, the principal balance outstanding was $52,635,000, and the unamortized premium was $4,809,807. 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 percent to 5.00 percent. At June 30, 2020, the principal balance outstanding was $65,975,000, and the unamortized premium was $6,758,961. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Redeemed	Bonds Outstanding June 30, 2020
2/18/2015	8/1/2040	2.00% - 5.00%	$ 75,000,000	$ 53,100,000	$ -	$ (465,000)	$ 52,635,000
1/18/2018	8/1/2043	3.00% - 5.00%	73,000,000	73,000,000	-	(7,025,000)	65,975,000
				$ 126,100,000	$ -	$ (7,490,000)	$ 118,610,000

The General Obligation Bonds, Series A and Series A-1 mature through 2041 as follows:

Fiscal Year Ending June 30,	Principal	Current Interest to Maturity	Total
2021	$ 570,000	$ 2,226,973	$ 2,796,973
2022	685,000	2,209,247	2,894,247
2023	805,000	2,187,634	2,992,634
2024	935,000	2,161,870	3,096,870
2025	1,070,000	2,129,304	3,199,304
2026-2030	7,950,000	9,730,771	17,680,771
2031-2035	13,820,000	7,075,425	20,895,425
2036-2040	21,430,000	3,352,000	24,782,000
2041	5,370,000	107,400	5,477,400
Total	$ 52,635,000	$ 31,180,624	$ 83,815,624

The General Obligation Bonds, Series B mature through 2044 as follows:

Fiscal Year Ending June 30,	Principal	Current Interest to Maturity	Total
2021	$ 7,290,000	$ 2,673,200	$ 9,963,200
2022	5,525,000	2,389,275	7,914,275
2023	245,000	2,245,025	2,490,025
2024	415,000	2,228,525	2,643,525
2025	530,000	2,204,900	2,734,900
2026-2030	4,675,000	10,447,875	15,122,875
2031-2035	9,120,000	8,754,500	17,874,500
2036-2040	14,990,000	6,225,850	21,215,850
2041-2044	23,185,000	2,052,700	25,237,700
Total	$ 65,975,000	$ 39,221,850	$ 105,196,850

Compensated Absences and Compensatory Time

Compensated absences and compensatory time at June 30, 2020, are $1,723,413 and $34,787, respectively.

Load Banking

In accordance with the bargaining unit agreement with faculty, unpaid excess courses taught by faculty may be exchanged for reduced teaching load in future terms. The value is based on the salary of the faculty member when earned and is calculated using full-time equivalent units. The accumulated unused value at June 30, 2020, is $392,500.

Capital Leases

The District has entered into a capital lease arrangement for the following:

	Police Vehicles
Balance, July 1, 2019	$ 77,373
Payments	(25,791)
Balance, June 30, 2020	$ 51,582

The District's liability on lease agreements with option to purchase is summarized below:

Fiscal Year Ending June 30,	Lease Payment
2021	$ 25,791
2022	25,791
Total	51,582
Less amount representing interest	(2,580)
Present value of minimum lease payments	$ 49,002

Amortization of the leased buildings and equipment under capital lease is included with depreciation expense.

Amortization of the leased equipment under capital lease is included with depreciation expense as follows:

Vehicles	$ 142,272
Less accumulated depreciation	(71,135)
	$ 71,137

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 District will fund the supplemental benefits as follows:

Fiscal Year Ending June 30,	Payments
2021	$ 220,786
2022	220,786
2023	220,786
Total	$ 662,358

Note 11 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 1,681,641	$ 1,069,407	$ 7,870	$ 131,171
Medicare Premium Payment (MPP Program)	248,221	-	-	2,141
	$ 1,929,862	$ 1,069,407	$ 7,870	$ 133,312

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. 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, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	17
Active employees	504
	521

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.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For the measurement date of June 30, 2019, the District contributed $28,240 to the Plan, which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $1,681,641 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	3.50 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 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, 2019 valuation were based on the results of an actual experience study as of June 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 480,251
Service cost	49,070
Interest	18,645
Changes of assumptions	1,039,567
Differences between expected and actual experience	122,348
Benefit payments	(28,240)
Net change in total OPEB liability	1,201,390
Balance at June 30, 2019	$ 1,681,641

Changes of economic assumptions reflect a change in the discount rate from 3.80 percent to 3.50 percent 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	Total OPEB Liability
1% decrease (2.50%)	$ 1,796,861
Current discount rate (3.50%)	1,681,641
1% increase (4.50%)	1,577,402

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

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 healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	$ 1,597,457
Current healthcare cost trend rate (4.00%)	1,681,641
1% increase (5.00%)	1,762,741

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 6,802	$ -
Differences between expected and actual experience	111,890	-
Changes of assumptions	950,715	7,870
Total	$ 1,069,407	$ 7,870

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.

Amounts reported as deferred outflows/(inflows) of resources related to differences between expected and actual experience 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 11.7 years, and the amounts will be recognized as OPEB expenses as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 98,498
2022	98,498
2023	98,498
2024	98,498
2025	98,498
Thereafter	562,245
Total	$ 1,054,735

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District 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, 2020, the District reported a liability of $248,221 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 and June 30, 2018, was 0.0667 percent and 0.0643 percent, respectively, resulting in a net increase in the proportionate share of 0.0024 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $2,141.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 380 or an average of 0.23 percent of the potentially eligible population (165,422).

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, 2019, 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, 2019, is 3.50 percent. 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 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 270,866
Current discount rate (3.50%)	248,221
1% increase (4.50%)	227,401

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend 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:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 232,658
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	248,221
1% increase (4.7% Part A and 5.1% Part B)	279,310

Note 12 - Risk Management

Property and Liability Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2020, 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 2019-2020, 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.

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 13 - 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, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 34,030,373	$ 10,089,513	$ 6,368,744	$ 4,057,329
CalPERS	34,560,126	7,802,490	873,335	5,940,589
	$ 68,590,499	$ 17,892,003	$ 7,242,079	$ 9,997,918

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent 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 provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and 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 AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were $3,726,276.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
District's proportionate share of net pension liability	$ 34,030,373
State's proportionate share of net pension liability associated with the District	18,565,841
	$ 52,596,214

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.0377 percent and 0.0358 percent, respectively, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2020, the District recognized pension expense of $4,057,329. In addition, the District recognized pension expense and revenue of $2,764,854 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,726,276	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,973,230	4,098,946
Differences between projected and actual earnings on pension plan investments	-	1,310,861
Differences between expected and actual experience in the measurement of the total pension liability	85,909	958,937
Changes of assumptions	4,304,098	-
	$ 10,089,513	$ 6,368,744

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (132,223)
2022	(1,040,669)
2023	(216,060)
2024	78,091
Total	$ (1,310,861)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 120,602
2022	120,602
2023	272,479
2024	811,539
2025	(249,326)
Thereafter	229,458
Total	$ 1,305,354

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 percent) 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 50,674,043
Current discount rate (7.10%)	34,030,373
1% increase (8.10%)	20,229,602

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, 2018, 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 provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before	On or after
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

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, 2020, are presented above, and the total District contributions were $3,351,823.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $34,560,126. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.1186 percent and 0.1216 percent, respectively, resulting in a net decrease in the proportionate share of 0.0030 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,940,589. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,351,823	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	295,045	552,784
Differences between projected and actual earnings on pension plan investments	-	320,551
Differences between expected and actual experience in the measurement of the total pension liability	2,510,452	-
Changes of assumptions	1,645,170	-
Total	$ 7,802,490	$ 873,335

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

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

Year Ended Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 316,420
2022	(632,039)
2023	(95,777)
2024	90,845
Total	$ (320,551)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 2,555,526
2022	1,074,111
2023	243,858
2024	24,388
Total	$ 3,897,883

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 49,816,150
Current discount rate (7.15%)	34,560,126
1% increase (8.15%)	21,904,201

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 fiduciary fund of the District. There were no contributions made to the trust for the year ended June 30, 2020. As of June 30, 2020, the balance of the trust was $3,455,969.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to $1,939,261 (10.328 percent) of salaries subject to CalSTRS. 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, 2020. 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

Note 14 - 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 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, 2020, the District made payments of $317,172, $473,553, $2,087,314, $517,236, and $71,886 to the BACCD, SIPE, SISC III, the California Dental Coalition, and the California Schools Vision Coalition, respectively.

Note 15 - 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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Early Childhood Education Center	$ 2,268,219	January 31, 2021
Technology Upgrades	123,849	January 31, 2021
2000 Complex Renovation	403,860	November 30, 2020
Switchgear 8	6,981	July 31, 2021
Road Repaving Project	542,476	September 30, 2020
	$ 3,345,385	

The projects are funded through general obligation bond proceeds.

Note 16 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

On February 18, 2021, the District issued $70,000,000 Election of 2014 General Obligation Bonds, Series C. The bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuance of the bonds. The bonds interest payments are due semiannually on February 1 and August 1 of each year, commencing August 1, 2021, with interest rates ranges from 2.0 percent to 4.0 percent.

Required Supplementary Information
June 30, 2020

San Luis Obispo County Community College District

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 49,070	$ 49,910	$ 48,574
Interest	18,645	17,572	14,958
Differences between expected and actual experience	122,348	-	-
Changes of assumptions	1,039,567	(9,494)	-
Benefit payments	(28,240)	(30,404)	(29,235)
Net changes in total OPEB liability	1,201,390	27,584	34,297
Total OPEB Liability - beginning	480,251	452,667	418,370
Total OPEB Liability - ending	$ 1,681,641	$ 480,251	$ 452,667
Covered payroll	N/A[1]	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2020	2019	2018
District's proportion of the net OPEB liability	0.0667%	0.0643%	0.0724%
District's proportionate share of the net OPEB liability	$ 248,221	$ 246,080	$ 304,746
District's covered payroll	N/A[1]	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

CalSTRS	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0377%	0.0358%	0.0400%	0.0403%	0.0448%	0.0456%
District's proportionate share of the net pension liability	$ 34,030,373	$ 32,919,196	$ 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	18,565,841	18,847,780	21,889,994	18,577,093	15,964,422	16,095,083
Total	$ 52,596,214	$ 51,766,976	$ 58,891,864	$ 51,209,580	$ 46,149,204	$ 42,749,491
District's covered payroll	$ 24,993,550	$ 20,676,715	$ 21,863,394	$ 21,205,592	$ 20,502,511	$ 20,315,806
District's proportionate share of the net pension liability as a percentage of its covered payroll	136.16%	159.21%	169.24%	153.89%	147.22%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

CalPERS	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1186%	0.1216%	0.1185%	0.1198%	0.1203%	0.1229%
District's proportionate share of the net pension liability	$ 34,560,126	$ 32,424,171	$ 28,288,744	$ 23,668,262	$ 17,731,314	$ 13,948,691
District's covered payroll	$ 16,465,580	$ 16,539,566	$ 14,786,650	$ 14,591,584	$ 13,149,104	$ 12,898,243
District's proportionate share of the net pension liability as a percentage of its covered payroll	209.89%	196.04%	191.31%	162.20%	134.85%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

CalSTRS	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,726,276	$ 4,068,950	$ 2,983,650	$ 2,750,415	$ 2,275,360	$ 1,820,623
Contributions in relation to the contractually required contribution	3,726,276	4,068,950	2,983,650	2,750,415	2,275,360	1,820,623
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 21,791,088	$ 24,993,550	$ 20,676,715	$ 21,863,394	$ 21,205,592	$ 20,502,511
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%

CalPERS	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,351,823	$ 2,974,013	$ 2,568,760	$ 2,053,570	$ 1,728,665	$ 1,547,781
Contributions in relation to the contractually required contribution	3,351,823	2,974,013	2,568,760	2,053,570	1,728,665	1,547,781
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 16,996,212	$ 16,465,580	$ 16,539,566	$ 14,786,650	$ 14,591,584	$ 13,149,104
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. As of June 30, 2020, the District had no assets accumulated in a trust that meets the criteria outlined in paragraph 4 of GASB Statement No. 75 related to OPEB benefits. 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 3.80 percent to 3.50 percent 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 3.87 percent to 3.50 percent since the previous valuation.

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions since the previous valuations for both CalSTRS and CalPERS.

Schedule of District Contributions for Pensions

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

Supplementary Information
June 30, 2020

San Luis Obispo County Community College District

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.

Board of Trustees

MEMBER	OFFICE	TERM EXPIRES
Pete Sysak	President	2022
Dr. Barbara George	Vice President	2020
Patrick Mullen	Member	2022
Angela Mitchell	Member	2020
Mary Strobridge	Member	2020
Jesus Cendejas	Student Trustee	2020

Administration

Dr. Jill Stearns	President and District Superintendent
Dan Troy	Vice President, Administrative Services
Dr. Mark Sanchez	Vice President, Student Services and College Centers
Dr. Jason Curtis	Vice President, Academic Affairs
Melissa Richerson	Vice President, Human Resources

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Cuesta College Foundation, established April 18, 1973
Master Agreement revised May 4, 2020
Shannon Hill, Executive Director

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		$ 8,988,045
Federal Pell Administrative Allowance	84.063		14,805
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		180,216
Federal Work-Study Program (FWS)	84.033		168,062
Federal Direct Student Loans	84.268		2,979,319
Subtotal Student Financial Assistance Cluster			12,330,447
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		792,753
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F		564,949
COVID-19: CARES Act Higher Education Emergency Relief Funds, Minority Serving Institution	84.425L		49,160
Subtotal			1,406,862
Integrating Academics, Support and Technology to Increase Student Success	84.031S		470,538
Child Care Access Means Parents In School (CCAMPIS)	84.335A		73,214
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I-C, Part C	84.048A	19-C01-051	255,862
Title I, CTEA Transitions	84.048A	19-C01-051	46,195
Subtotal			302,057
Passed through California Department of Education			
Adult Basic Education, English as a Second Language	84.002A	14508	152,995
Adult Secondary Education	84.002	13978	3,300
English Literacy and Civics Education	84.002A	14109	3,680
Subtotal			159,975
Total U.S. Department of Education			14,743,093

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665		$ 6,104
Subtotal Forest Service Schools and Roads Cluster			6,104
Cultivating Latinx Student Participation and Success in Agriculture Education	10.223		30,099
Total U.S. Department of Agriculture			36,203
U.S. Nuclear Regulatory Commission			
Nuclear Education and Training Scholarship (NTES) Program Supporting a Nuclear Workforce in Transition	77.008		62,593
National Science Foundation			
Research and Development Cluster			
GIS Technology: Mapping, Data Management, and Work-Based Learning Across Industry Sectors	47.076		55,611
Institutionalizing Undergraduate Research Education to Promote Student Engagement and Success	47.076		62,094
Passed through the Cal Poly Corporation			
Collaborative Research: Enabling Transfer Student Access to Engineering	47.076	2019-15-51213	232,436
Subtotal Research and Development Cluster			350,141
Total National Science Foundation			350,141
U.S. Department of Veterans Affairs			
Veterans Education	64.028		2,160
U.S. Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	*	53,311
Foster and Kinship Care Education Program	93.658	*	63,940
Total U.S. Department of Health and Human Services			117,251
Total Expenditures of Federal Awards			$ 15,311,441

*Pass-Through Entity Identifying Number not available.

Program	Program Revenues: Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	Program Expenditures
Adult Ed Block Grant	$ 466,518	$ -	$ 161,920	$ 304,598	$ 304,598
Basic Skills	372,408	-	103,651	268,757	268,757
California Apprenticeship Initiative Subaward	150,000	-	135,336	14,664	14,664
CalWORKs	299,474	(20,686)	-	278,788	278,788
Campus Safety & Sexual Assault	12,764	-	12,117	647	647
CASCADE DoD Mini-Grant	10,000	873	-	10,873	10,873
Certified Nursing Assistant Grant	13,598	-	-	13,598	13,598
Challenge (SYA) Odd Year	133,218	911	-	134,129	134,129
Classified Professional Development	47,356	-	47,356	-	-
Coop Agencies Resources - Educ (CARE)	140,982	-	25,043	115,939	115,939
COVID Block Grant State Funds	-	14,032	-	14,032	14,032
Current & Formerly Incarcerated Students Re-entry	45,455	-	4,514	40,941	40,941
Deputy Sector Navigator 2019-20 Award	160,000	-	18,492	141,508	141,508
Deputy Sector Navigator 2018-19 Award	31,977	-	-	31,977	31,977
Disabled Students Progrms/Svcs (DSPS)	781,752	-	92,089	689,663	689,663
Econ Oppor Program and Svcs (EOPS)	537,477	-	39,676	497,801	497,801
Education Futures Mini Grant	119,964	-	-	119,964	119,964
Equal Employment Opportunity	50,000	-	-	50,000	50,000
Faculty Entrepreneurship Champion Mini-Grant	6,359	-	-	6,359	6,359
Financial Aid Technology	121,780	-	62,007	59,773	59,773
First Response Student Support	4,545	-	-	4,545	4,545
Foster and Kinship Care Education (FKCE)	155,000	-	-	155,000	155,000
Guided Pathways	585,580	-	445,975	139,605	139,605
Hunger-Free Campus	80,917	-	41,448	39,469	39,469
Innovation Award	1,702,315	-	1,401,998	300,317	300,317
Instructional Equipment	76,845	-	8,400	68,445	68,445
ISPIC Nasdaq Mini-Grant	1,500	1,000	1,090	1,410	1,410

Program	Program Revenues Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	Program Expenditures
Mental Health Support Funds	$ 104,390	$ -	$ 36,567	$ 67,823	$ 67,823
National Summer Transportation Institute	395	-	-	395	395
Nursing Enrollment Growth & Retention	120,967	-	-	120,967	120,967
Promise Scholars Program Replication	81,829	50,000	30,371	101,458	101,458
South Central Coast Reg Consortium Subaward Teacher Prep Program	-	9,000	8,922	78	78
South Central Coast Regional Consortium Strong Workforce Regional District Funding	122,800	302,828	-	425,628	425,628
South Central Coast Reg Consortium Subaward Projects in Common	1,000	-	-	1,000	1,000
South Central Coast Reg Consortium Subaward Health Sectors	5,000	-	2,597	2,403	2,403
South Central Coast Reg Consortium Subaward CAAPP	3,400	-	-	3,400	3,400
South Central Coast Reg Consortium Subaward VEX	5,000	-	-	5,000	5,000
Strong Workforce Program Local Funding	1,870,084	-	1,567,146	302,938	302,938
Strong Workforce Program Local Subaward Teacher Prep Program	7,190	-	-	7,190	7,190
Student Equity Program	1,058,595	-	158,897	899,698	899,698
Student Financial Aid (BFAP)	308,703	-	27,973	280,730	280,730
Student Success (Credit)	1,671,813	-	24,780	1,647,033	1,647,033
Student Success (Non-Credit)	122,411	-	-	122,411	122,411
Successful Launch	16,610	894	-	17,504	17,504
Textbook Affordability Program	12,935	5,175	-	18,110	18,110
Tobacco Law Enforcement Grant	4,303	16,733	-	21,036	21,036
Veteran's Resource Center Categorical	84,753	-	70,199	14,554	14,554
Veteran's Resource Center Grant	29,510	-	13,981	15,529	15,529
YESS, CA	18,486	248	-	18,734	18,734
	$ 11,757,958	$ 381,008	$ 4,542,545	$ 7,596,421	$ 7,596,421

See Notes to Schedule of Expenditures of State Awards

Categories	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit*	112.94	-	112.94
2. Credit	610.36	-	610.36
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit*	-	-	-
2. Credit	33.30	-	33.30
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,195.30	-	4,195.30
(b) Daily Census Contact Hours	1,131.38	-	1,131.38
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	313.05	-	313.05
(b) Credit	23.29	-	23.29
3. Alternative Attendance Accounting Procedures Courses			
(a) Weekly Census Procedure Courses	954.88	-	954.88
(b) Daily Census Procedure Courses	580.19	-	580.19
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	7,954.69	-	7,954.69
Supplemental information (subset of above information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	321.77	-	321.77
2. Credit	10.07	-	10.07
CCFS-320 Addendum			
CDCP Noncredit FTES	221.43	-	221.43
Centers FTES			
1. Noncredit*	47.36	-	47.36
2. Credit	1,310.44	-	1,310.44

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 10,455,051	$ -	$ 10,455,051	$ 10,455,051	$ -	$ 10,455,051
Other	1300	8,509,404	-	8,509,404	8,509,404	-	8,509,404
Total Instructional Salaries		18,964,455	-	18,964,455	18,964,455	-	18,964,455
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	5,070,964	-	5,070,964
Other	1400	-	-	-	521,527	-	521,527
Total Noninstructional Salaries		-	-	-	5,592,491	-	5,592,491
Total Academic Salaries		18,964,455	-	18,964,455	24,556,946	-	24,556,946
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	9,827,615	-	9,827,615
Other	2300	-	-	-	280,953	-	280,953
Total Noninstructional Salaries		-	-	-	10,108,568	-	10,108,568
Instructional Aides							
Regular Status	2200	906,031	-	906,031	906,031	-	906,031
Other	2400	192,581	-	192,581	192,581	-	192,581
Total Instructional Aides		1,098,612	-	1,098,612	1,098,612	-	1,098,612
Total Classified Salaries		1,098,612	-	1,098,612	11,207,180	-	11,207,180
Employee Benefits	3000	6,799,349	-	6,799,349	12,798,086	-	12,798,086
Supplies and Material	4000	-	-	-	523,603	-	523,603
Other Operating Expenses	5000	929,072	-	929,072	5,956,267	-	5,956,267
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		27,791,488	-	27,791,488	55,042,082	-	55,042,082

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 220,786	$ -	$ 220,786	$ 220,786	$ -	$ 220,786
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	109,700	-	109,700
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	6,802	-	6,802
Objects to Exclude							
Rents and Leases	5060	-	-	-	173,997	-	173,997
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,028,640	$ -	$ 1,028,640
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	1,539,925	-	1,539,925
Total for ECS 84362, 50 Percent Law		$ 27,570,702	$ -	$ 27,570,702	$ 53,502,157	$ -	$ 53,502,157
Percent of CEE (Instructional Salary Cost/Total CEE)		51.53%		51.53%	100.00%		100.00%
50% of Current Expense of Education					$ 26,751,079		$ 26,751,079

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2020.

Activity Classification	**Object Code**			**Unrestricted**	
EPA Revenue:	8630				$ 4,102,389
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 4,102,389	$ -	$ -	$ 4,102,389
Total Expenditures for EPA		$ 4,102,389	$ -	$ -	$ 4,102,389
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance		
General fund - unrestricted	$ 8,660,205	
General fund - restricted	1,041,851	
Special revenue funds	107,407	
Capital project funds	26,066,341	
Debt service funds	24,138,217	
Internal service funds	390,400	
Total fund balances		$ 60,404,421
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	272,146,244	
Accumulated depreciation is	(80,979,439)	
Total capital assets		191,166,805
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,105,790)
Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to OPEB	1,069,407	
Deferred outflows of resources related to pensions	17,892,003	
Total deferred outflows of resources		18,961,410
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the District's funds. Deferred inflows of resources at year-end consist of:		
Deferred inflows of resources related OPEB	(7,870)	
Deferred inflows of resources related to pensions	(7,242,079)	
Total deferred inflows of resources		(7,249,949)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable (including unamortized premium)	$ (130,178,768)	
Compensated absences, compensatory time, and load banking	(2,150,700)	
Capital leases payable	(49,002)	
PARS supplemental retirement plan	(662,358)	
Aggregate net OPEB liability	(1,929,862)	
Aggregate net pension liability	(68,590,499)	
Total long-term liabilities		(203,561,189)
Total net position		$ 57,615,708

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members and auxiliary organizations as of June 30, 2020.

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, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. No Federal financial assistance has been provided to a subrecipient. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Schedule of Expenditures of State Awards

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

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

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

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

ECS 84362 requires the District to expend a minimum of 50 percent 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.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

Independent Auditor's Reports
June 30, 2020

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
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 and the aggregate remaining fund information of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2021.

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.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program; Report 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
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, 2020. 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.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program
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, 2020.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2021

Independent Auditor's Report on State Compliance

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

Report on State Compliance
We have audited San Luis Obispo County Community College District's (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit 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 standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

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 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 and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District did not receive any funding for Proposition 39 Clean Energy Fund; therefore, the compliance tests within this section were not applicable.

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

The District does not have any Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Basis for Qualified Opinion on Section 479 – To Be Arranged Hours (TBA)
As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Section 479 – To Be Arranged Hours (TBA), as identified in finding 2020-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Section 479 – To Be Arranged Hours (TBA)
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Unmodified Opinion on Each of the Other Programs
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted above that were audited for the year ended June 30, 2020, except as described in the state awards findings and questioned costs section of the accompanying schedule of findings and questioned costs.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019*-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2021

FINANCIAL STATETMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted:	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.063, 84.007, 84.033, and 84.268
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: CARES Act Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee	Yes

STATE AWARDS

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

Unmodified for all state programs except for the following program which was qualified:

Name of State Program
Section 479 - To Be Arranged Hours (TBA)

None reported.

The following finding represents a significant deficiency and/or instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2020-001 Special Test and Provisions - Return to Title IV

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.063, 84.268
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirement
34 CFR section 668.22(j)(2):
An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

34 CFR section 668.22(c):
If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the institution; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence.

Condition
Significant Deficiency - The District did not calculate the withdrawal date within 30 days of the end of the academic period. In addition, the District did not use the correct withdrawal date in performing the return to Title IV calculation.

Questioned Costs
There are no questioned costs associated with this finding. The District did calculate the withdrawal date; however, they did not calculate it within the 30-day requirement. The District also reperformed the calculation using the correct date and made the appropriate adjustments.

Context
There were 5 instances out of 40 tested where the District did not calculate the withdrawal date for the student within the 30-day requirement. There was one out of 40 tested where the District did not use the correct withdrawal date in performing the return to Title IV calculation.

Effect
Without proper monitoring of accuracy and student withdrawals, the District risks noncompliance with the above referenced criteria.

Cause
The District did not implement procedures to ensure that the return to Title IV calculations were performed in a timely manner and accurately.

Repeat Finding: No

Recommendation
It is recommended that the District implement procedures to ensure that the student withdrawal calculations are performed accurately and occur within 30 days from the end of the academic period.

View of Responsible Officials and Corrective Action Plan
Performing the R2T4 calculation with the incorrect withdrawal date
Since Fall 2019, the Financial Aid Department has developed a database-reporting tool to assist in automating the correct withdrawal date for a student. While the Financial Aid Department has automated the calculation process, there is still an element of human error, as we need to remove the oldest dates from the spreadsheet. The Financial Aid Department updated our database-reporting tool to extract the most recent date and have verified its accuracy through regular testing.

Performing the R2T4 calculation outside the 30-day window
In Fall 2020, the Financial Aid Department developed a shared calendar to identify all pertinent enrollment start and end dates, breaks, holidays and deadlines in regard to identifying students that need calculations done throughout the term and when the term ends.

To ensure that funds are calculated within the 30-day reporting timeframe, protocols have been put in place to calculate Return to Title IV every two weeks rather than past practice of every four weeks. In addition, a tracking system, aligned with the District's database system was developed to ensure calculations are processed in a timely manner. This ensures that the Specialist performing the calculation is aware of deadlines and the Associate Dean and Associate Director can monitor progress to ensure compliance.

The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations.

2020-002 Section 479 – To Be Arranged Hours (TBA)

Criteria or Specific Requirement
California Community Colleges State Chancellor's Office Student Attendance Accounting Manual requires the listing of classes with To Be Arranged (TBA) hours to be listed in the schedule of classes and described in the course outline. The official course outline of record must include the number of TBA hours and specific instructional activities/learning outcomes for TBA hours expected of all students enrolled in the course. Additionally, the TBA hours for student participation are required to be tracked to ensure only actual hours of attendance are claimed for apportionment purposes. Furthermore, students must participate for the required number of TBA hours in a manner consistent with the student attendance accounting method specified for the course.

Condition
Significant Deficiency - The District did not track student participation to make sure that apportionment for TBA hours were accurately claimed for students who have documented zero hours.

Questioned Costs
The auditor utilized P-1 data and the District's Full-Time Equivalent Students (FTES) annualizer in which we identified known errors of 1.6986 FTES for the three students overclaimed for apportionment reporting. The auditor then extrapolated the error rate (1.2592%) over the total annualized contact hours (180,910.09) for TBA courses, noting the likely questioned costs of 4.3391 FTES.

Context
Five of the ten courses tested did not meet the Chancellor's Office requirements. The total FTES overclaimed for these five courses was 1.6986 resident FTES.

Effect
The TBA FTES claimed for apportionment are overstated.

Cause
Three students in three of the five courses were claimed on the District's Period 1 Attendance Report. However, these students were not recorded on the attendance roster. It was noted that these students never attended any of the class meetings. Two of the five courses were misclassified as TBA courses since it did not meet the criteria to be a TBA course.

Repeat Finding: Yes, see 2019-001.

Recommendation
The District should enforce and implement procedures to monitor students who have claimed zero hours or dropped the course in order to meet the Chancellor's Office requirements. TBA courses should be reviewed to ensure they meet the requirements per the Student Attendance and Accounting Manual and reclassified to positive attendance accounting if necessary.

View of Responsible Officials and Corrective Action Plan
The Assistant Superintendent/Vice President of Instruction will work with Divisions who continue to offer TBA courses to review those courses and the appropriateness of the TBA format. For future TBA courses, the Assistant Superintendent/Vice President of Instruction will provide clear instruction for faculty that hours of instruction will need to be tracked, verified and reported for all students who are listed on the course roster at census. Hours will be reported even for students who drop the class (with a 'W' grade) after the census date.

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

Financial Statement Findings

None reported

Federal Award Findings

None reported

State Compliance Findings

2019-001 Section 479 - to be Arranged Hours (TBA)

Criteria or Specific Requirement
California Community Colleges State Chancellor's Office Student Attendance Accounting Manual requires the listing of classes with To Be Arranged (TBA) hours to be listed in the schedule of classes and described in the course outline. The official course outline of record must include the number of TBA hours and specific instructional activities/learning outcomes for TBA hours expected of all students enrolled in the course. Additionally, the TBA hours for student participation are required to be tracked to ensure only actual hours of attendance are claimed for apportionment purposes. Furthermore, students must participate for the required number of TBA hours in a manner consistent with the student attendance accounting method specified for the course.

Condition
The District did not track student participation to make sure that apportionment for TBA hours were claimed for students who have documented zero hours as of the census point for the particular course.

Questioned Costs
There are no questioned costs.

Context
One out of the five courses tested did not meet the Chancellor's Office requirements. The total FTES for this one class was 1.45 FTES. The FTES for these four students amounted to 0.2 FTES. Additionally, we reviewed the remaining TBA courses and noted no other errors.

Effect
The TBA FTES claimed for apportionment are overstated by 0.2 FTES.

Cause
During the fiscal year, four students in the course were claimed on the District's Annual Attendance report. However, these students were not recorded on the attendance roster. It was noted that these students never attended any of the classes therefore were never dropped prior to census date

Recommendation
The District should enforce and implement procedures to monitor students who have claimed zero hours or dropped the course as of census date to meet the Chancellor's Office requirements.

Current Status
Not implemented. See finding 2020-002.