

**SAN LUIS OBISPO COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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 2018 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to \$5,700, and the amount transferred to the fiduciary funds from the primary government amounted to \$3,000,000.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated)			Balance June 30, 2018	Due in One Year
	Balance July 1, 2017	Additions	Deductions		
Bonds and Notes Payable					
General Obligation Bond - Series A	\$ 67,095,000	\$ -	\$ 7,670,000	\$ 59,425,000	\$ 6,325,000
General Obligation Bond - Series B	-	73,000,000	-	73,000,000	-
Unamortized Bond Premium	5,543,508	7,451,575	363,983	12,631,100	-
2003 Certificates of participation	600,000	-	600,000	-	-
2009 Certificates of participation	6,620,000	-	6,620,000	-	-
Notes payable	53,846	-	46,154	7,692	7,692
Total Bonds and Notes Payable	79,912,354	80,451,575	15,300,137	145,063,792	6,332,692
Other Obligations					
Compensated absences	1,372,926	79,308	-	1,452,234	-
Compensatory time	41,054	-	657	40,397	-
Load banking	224,185	-	26,170	198,015	-
Capital leases	116,481	-	21,726	94,755	22,484
PARS Supplemental Retirement Plan	-	1,103,930	-	1,103,930	220,786
Aggregate net OPEB liability	754,194	63,532	60,313	757,413	-
Aggregate net pension obligation	56,300,749	8,989,865	-	65,290,614	-
Total Other Obligations	58,809,589	10,236,635	108,866	68,937,358	243,270
Total Long-Term Obligations	\$ 138,721,943	\$ 90,688,210	\$ 15,409,003	\$ 214,001,150	\$ 6,575,962

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Description of Debt

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. Certificates of participation are paid by the Other Debt Service Fund. The note payable is paid from resources of the unrestricted General Fund. Compensated absences, compensatory time, the PARS Supplemental Retirement, and the aggregate net pension obligation payments are employee related and are paid in the funds where the employee's payroll is paid. The aggregate net OPEB liability, 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, 2018, the principal balance outstanding was \$59,425,000, and the unamortized premium was \$5,298,941. 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, 2018, the principal balance outstanding was \$73,000,000, and the unamortized premium was \$7,332,159. 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	Series	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 1, 2017	Issued	Redeemed	Outstanding June 30, 2018
2/18/2015	2014 Series A and A-1	8/1/2040	2.00% - 5.00%	\$ 75,000,000	\$ 67,095,000	\$ -	\$ 7,670,000	\$ 59,425,000
1/18/2018	2014 Series B	8/1/2043	3.00% - 5.00%	73,000,000	-	73,000,000	-	73,000,000
					<u>\$ 67,095,000</u>	<u>\$ 73,000,000</u>	<u>\$ 7,670,000</u>	<u>\$ 132,425,000</u>

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 6,325,000	\$ 2,375,346	\$ 8,700,346
2020	465,000	2,241,871	2,706,871
2021	570,000	2,226,973	2,796,973
2022	685,000	2,209,247	2,894,247
2023	805,000	2,187,635	2,992,635
2024-2028	6,185,000	10,368,644	16,553,644
2029-2033	11,225,000	8,308,875	19,533,875
2034-2038	18,200,000	4,951,150	23,151,150
2039-2041	14,965,000	928,099	15,893,099
Total	<u>\$ 59,425,000</u>	<u>\$ 35,797,840</u>	<u>\$ 95,222,840</u>

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

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2019	\$ -	\$ 3,108,611	\$ 3,108,611
2020	7,025,000	2,959,500	9,984,500
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
2024-2028	3,300,000	10,845,500	14,145,500
2029-2033	7,155,000	9,566,375	16,721,375
2034-2038	12,500,000	7,318,275	19,818,275
2039-2043	23,000,000	4,045,000	27,045,000
2044	6,960,000	139,200	7,099,200
Total	<u>\$ 73,000,000</u>	<u>\$ 45,289,961</u>	<u>\$ 118,289,961</u>

Notes Payable

The notes payable were issued in February 2013 in the amount of \$250,000 to fund energy efficiency retrofitting projects throughout the District.

The annual debt service requirements to amortize the notes payable outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	
2019	<u>\$ 7,692</u>

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Compensated Absences and Compensatory Time

Compensated absences and compensatory time at June 30, 2018, are \$1,452,234 and \$40,397, 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, 2018, is \$198,015.

Capital Leases

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

	Police Vehicles
Balance, July 1, 2017	\$ 128,955
Payments	25,791
Balance, June 30, 2018	<u>\$ 103,164</u>

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

Year Ending June 30,	Lease Payment
2019	\$ 25,791
2020	25,791
2021	25,791
2022	25,791
Total	<u>103,164</u>
Less: Amount Representing Interest	<u>(8,409)</u>
Present Value of Minimum Lease Payments	<u>\$ 94,755</u>

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	<u>(35,567)</u>
	<u>\$ 106,705</u>

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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 in the form of five annual employer contributions as follows:

Year Ending June 30,	Payments
2019	\$ 220,786
2020	220,786
2021	220,786
2022	220,786
2023	220,786
Total	<u>\$ 1,103,930</u>

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported an aggregate net OPEB liability and OPEB expense for the following plans:

<u>OPEB Plan</u>	Aggregate Net OPEB Liability	OPEB Expense
District Plan	\$ 452,667	\$ 34,297
Medicare Premium Payment (MPP) Program	304,746	(31,078)
Total	<u>\$ 757,413</u>	<u>\$ 3,219</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Management of the plan is vested in the District management.