Financial Statements
June 30, 2021

San Luis Obispo County Community College District

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Schedule of Findings and Questioned Costs

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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 of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2021, 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 of the District as of June 30, 2021, 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.

Emphasis of Matter – Change in Accounting Principle
As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, and other required supplementary schedules on pages 57 through 62 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 basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of 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 other supplementary information listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and 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 18, 2022, 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 18, 2022

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, 2021 and 2020. 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.

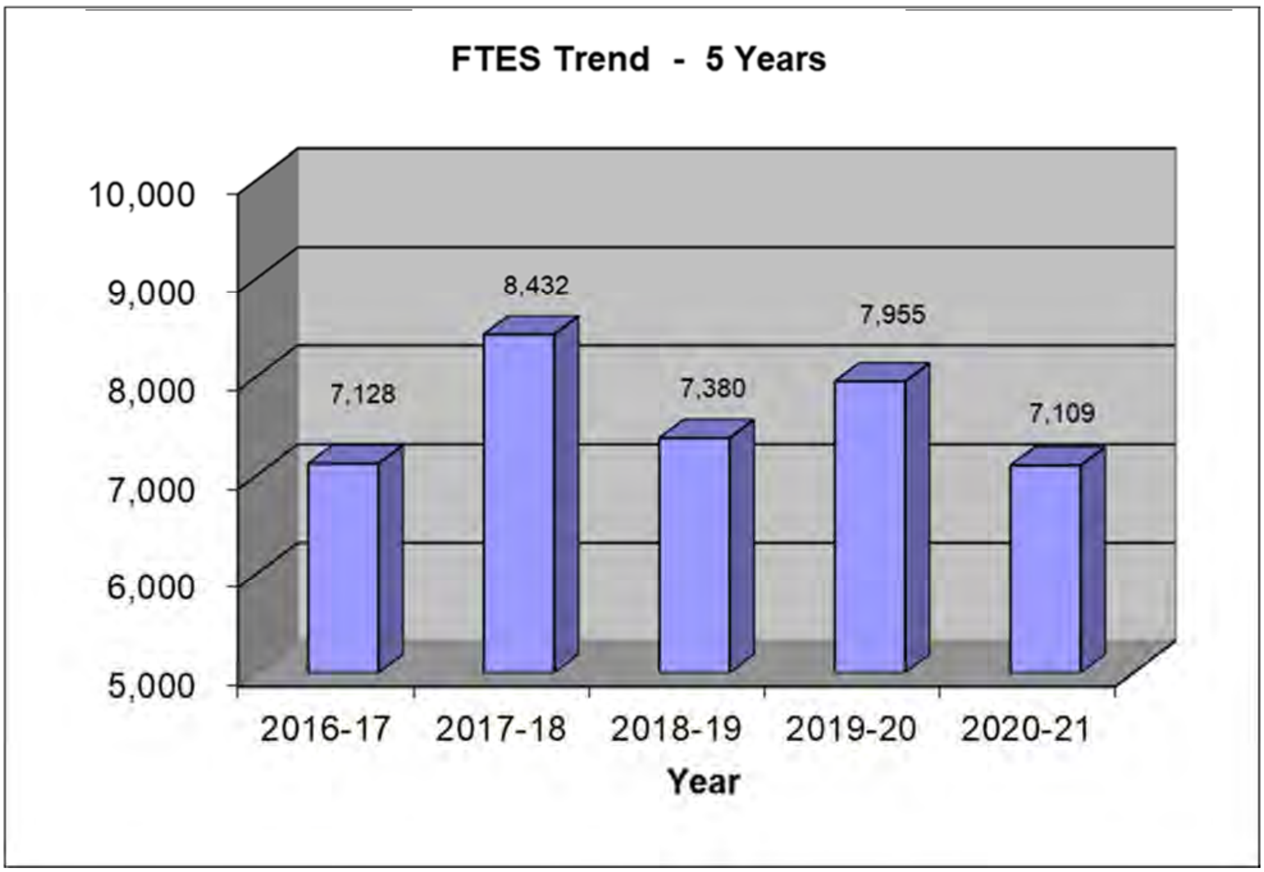
FINANCIAL HIGHLIGHTS

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% of the system's general apportionment funding will be based on FTES, with 10% based on various student success metrics (e.g., number of degree completions, transfers, certificates, success in transfer-level math and English courses, etc.) and 20% for a supplemental grant based on the number of disadvantaged students (Pell grant recipients, Promise grant recipients, and AB 540 students). Certain FTES (non-credit/CDCP, special admits, incarcerated) are excluded from the SCFF calculation and are funded as they were under the old model. Another notable difference from the old model is that FTES is calculated on a three-year average. Through the 2024-2025 academic year, the state guarantees a transitional "hold harmless" period, which means that no district will be funded at less than its 2017-2018 level of revenues as adjusted by the COLAs over that time.

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



*The chart above shoes actual FTES earned. For years 2019-2020 and 2020-2021, the District submitted the Emergency Conditions Allowance for COVID-19 that allows the District to elect P1 reported FTES for funding purposes only. The District's 2019-20 P1 FTES were 8,091.

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 2020-2021 as compared to fiscal year 2019-2020:

	2021	2020	Difference
Property tax	$ 45,900,463	$ 44,664,826	$ 1,235,637
Enrollment fees	3,543,926	3,355,128	188,798
Apportionment	514,355	440,930	73,425
Education Protection Act	1,887,740	4,102,389	(2,214,649)
Total	$ 51,846,484	$ 52,563,273	$ (716,789)

CONDENSED DISTRICT-WIDE FINANCIAL INFORMATION IS AS FOLLOWS:

Condensed Statement of Net Position as of June 30, 2021 and 2020

	2021	2020, as restated	Change
Assets			
Cash and investments	$ 132,600,361	$ 69,062,346	$ 63,538,015
Receivables, net	9,976,360	7,722,623	2,253,737
Other current assets	226,132	309,712	(83,580)
Capital assets, net	199,991,939	191,166,805	8,825,134
Total assets	342,794,792	268,261,486	74,533,306
Deferred Outflows of Resources	16,858,905	18,961,410	(2,102,505)
Liabilities			
Accounts payable and accrued liabilities	14,624,719	14,645,219	(20,500)
Current portion of long-term liabilities	16,455,707	8,104,867	8,350,840
Noncurrent portion of long-term liabilities	259,127,889	195,456,322	63,671,567
Total liabilities	290,208,315	218,206,408	72,001,907
Deferred Inflows of Resources	5,347,603	7,249,949	(1,902,346)
Net Position			
Net investment in capital assets	80,631,871	86,140,649	(5,508,778)
Restricted	35,249,232	28,159,306	7,089,926
Unrestricted deficit	(51,783,324)	(52,533,416)	750,092
Total net position	$ 64,097,779	$ 61,766,539	$ 2,331,240

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, and general reserves to ensure the ongoing financial health of the District.

Cash, investments and receivables increased by $65,791,752 while capital assets net of depreciation increased by $8,825,134. The increase in cash, investments and receivables is mostly due to the District issuing $70 million in general obligation bond funds as part of the Measure L bond program. The increase in capital assets net of depreciation is due to completed and in progress work on the bond projects.

The current portion of long-term liabilities increased by $8,350,840. This was due to the District’s Measure L General Obligation Bond program debt service requirements. At the end of the 2020-2021 fiscal year, the District had $197,130,563 in General Obligation Bonds outstanding. The bonds are repaid in annual installments, in accordance with the obligation requirements for each debt issuance, by way of property tax assessments on property within the District's boundaries. The District is also obligated to employees of the District for compensated absences, compensatory time, load banking benefits, PARS supplemental retirement plan, retiree health payments, and pension liabilities. Notes 7, 8, and 10 in the financial statements provides additional information.

Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2021 and 2020

	2021	2020, as restated	Change
Operating Revenues			
Tuition and fees, net	$ 7,500,079	$ 6,095,628	$ 1,404,451
Grants and contracts, noncapital	18,669,106	12,030,318	6,638,788
Internal service sales and charges	608,542	574,263	34,279
Total operating revenues	26,777,727	18,700,209	8,077,518
Operating Expenses			
Salaries and benefits	63,864,942	64,518,632	(653,690)
Supplies, services, equipment, and maintenance	15,696,109	16,263,131	(567,022)
Student financial aid	16,902,616	15,724,735	1,177,881
Depreciation	6,394,678	6,030,862	363,816
Total operating expenses	102,858,345	102,537,360	320,985
Loss on operations	(76,080,618)	(83,837,151)	7,756,533
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	2,475,519	4,355,209	(1,879,690)
Property taxes	59,328,749	57,801,728	1,527,021
Student financial aid grants	15,498,447	15,748,232	(249,785)
State revenues	2,552,658	4,335,948	(1,783,290)
Net interest expense	(3,948,330)	(3,192,098)	(756,232)
Other nonoperating revenues	2,505,712	3,003,959	(498,247)
Total nonoperating revenue (expenses)	78,412,755	82,052,978	(3,640,223)
Other Revenues (Losses)			
State and local capital income, and loss on disposal of capital assets	(897)	117,207	(118,104)
Change in net position	$ 2,331,240	$ (1,666,966)	$ 3,998,206

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.

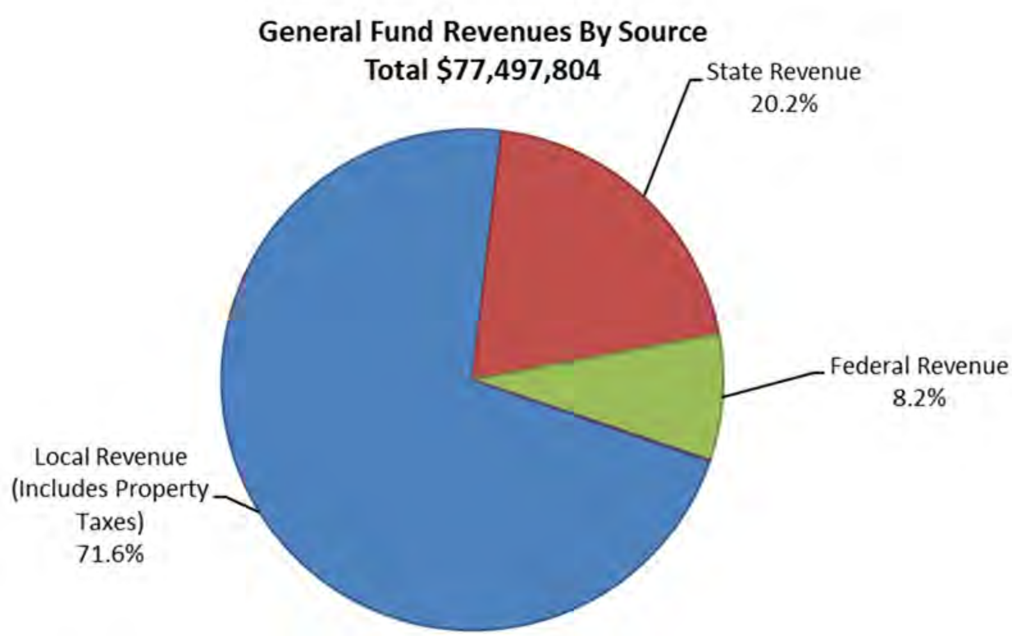
Operating revenues increased by $8,077,518 from the prior year as a result of a combination of a net increase in total grants and contracts revenue of $6,638,788, an increase of $1,404,451 of net tuition and fees, and increase in internal service sales and charges of $34,279. Most of the increase in total grants was due to receiving $6,490,770 in COVID-19 Higher Education Emergency Relief Funds. Total operating expenditures increased by $320,985. Salaries and benefits decreased by $653,690. The net decrease in salaries and benefits was a combination of increases to step/column/longevity salary increases, increases to the District's STRS and PERS contribution rates, and a negotiated salary increase offset by salary and benefit savings from reduced course offerings as a result of declining enrollment and hourly employee savings from less hourly staffing needs due to having fewer in-person services and activities.

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.

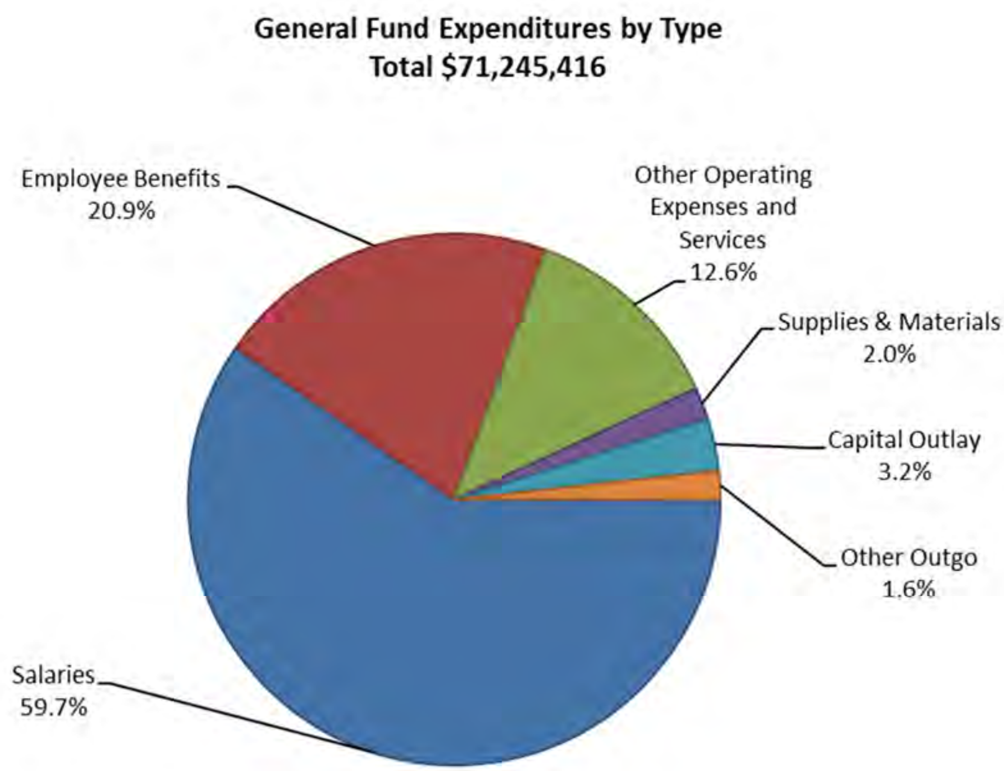
General Fund Revenues by Source

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



General Fund Expenditures by Type

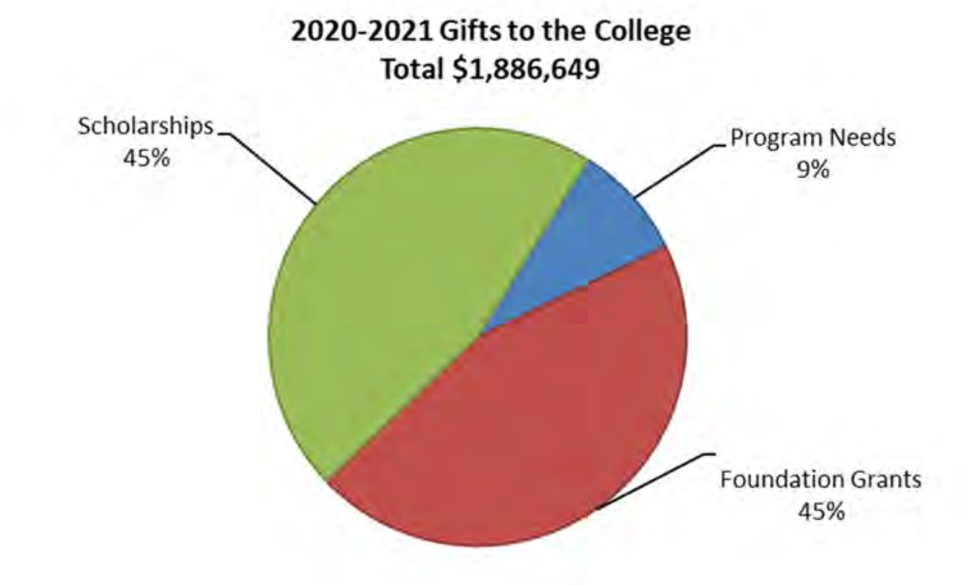
The chart below depicts the District's General Fund total expenditures by type:



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, 2021:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 31,389,495	$ 2,374,134	$ -	$ -	$ -	$ 33,763,629
Academic support	3,941,656	323,390	-	-	-	4,265,046
Student services	10,753,293	970,091	-	-	-	11,723,384
Plant operations and maintenance	3,324,562	2,065,185	-	-	-	5,389,747
Instructional support services	11,351,067	5,977,111	-	-	-	17,328,178
Community services and economic development	627,819	629,504	-	-	-	1,257,323
Ancillary services and auxiliary operations	2,477,050	852,439	-	-	-	3,329,489
Student aid	-	-	16,902,616	-	-	16,902,616
Physical property and related acquisitions	-	-	-	2,504,255	-	2,504,255
Unallocated depreciation	-	-	-	-	6,394,678	6,394,678
Total	$ 63,864,942	$ 13,191,854	$ 16,902,616	$ 2,504,255	$ 6,394,678	$ 102,858,345

Condensed Statement of Cash Flows for the Years Ended June 30, 2021 and 2020

Amounts in thousands

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	$ (65,601,306)	$ (78,075,776)	$ 12,474,470
Noncapital financing activities	70,186,085	72,231,821	(2,045,736)
Capital financing activities	57,756,540	(18,269,676)	76,026,216
Investing activities	1,196,696	991,816	204,880
Net Increase (Decrease) in Cash	63,538,015	(23,121,815)	86,659,830
Cash, Beginning of Year	69,062,346	92,184,161	(23,121,815)
Cash, End of Year	$ 132,600,361	$ 69,062,346	$ 63,538,015

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% approval to be successful; it achieved 62%. Measure L authorizes the District to issue $275,000,000 in bonds to benefit the District. The funds were designated to repair, construct and acquire facilities and equipment; update classrooms; improve career education programs; repair gas and electrical lines and upgrade technology.

The District will issue a series of four bonds every three years. The first series was issued in March of 2015 for $75,000,000. The proceeds 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 was 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.

The fourth bond series of $57,000,000 is scheduled to be issues in early 2024. Current information on the bond program can be found at www.cuestacollegebond.info.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

State Budget Overview

On July 12th, Governor Newsom signed the 2021 Budget Act. Unlike the prior year where the state projected that the economic effects of COVID-19 would dramatically shrink state resources, the 2021 Budget Act finds that the state's progressive income tax structure has allowed California to weather the economic storm better than expected. The state's high-income residents have largely been shielded from job losses that have plagued the low-wage retail sector, and they have benefited from strong growth in the stock market. Also, substantial federal stimulus packages were passed by Congress in December and March, boosting consumer spending and sales tax revenues. The result is a state budget outlook that is much more favorable than last year.

In January, when some of the positive trends discussed above were becoming evident, the Governor projected a budget surplus of $15 billion for the 2021-22 fiscal year. At May Revision, the Governor projected the surplus to grow to $75.7 billion. While it should be noted this figure is not an ongoing revenue surplus – much of it is one-time or is already committed – it is clear that the state is in a much better budget situation than what was believed when the 2020-21 Budget Act was passed. In many ways, the 2021-22 budget can be viewed as a correction to an overestimated deficit in the prior year. While this budget is better news than we would have expected a year ago, we should be mindful of the state's boom and bust revenue cycles. Indeed, the Legislative Analyst's Office projects the return of state deficits in the 2022-23 year. Further, much of the resources are one-time only, and are partly fueled by short-term federal stimulus.

The budget focuses attention on communities affected by COVID-19, including the distribution of $600 stimulus checks to individuals earning up to $75,000 (with some exceptions), paying down back rent and utility bills, and expanding the housing efforts for homeless individuals. The budget also includes $1.5 billion in grants to small businesses and non-profits that absorbed losses. As noted below, education also plays a significant part in the state's recovery plan.

California Community Colleges

As state revenues have improved, the K14 Proposition 98 minimum guarantee has increased correspondingly. The guarantee is in Test 1, which means that it is calculated as 38% of state general fund revenues plus the local property taxes allocated for K14 education. As state revenues have risen so has the minimum guarantee. The 2021-22 guarantee is an estimated $93.7 billion, which is approximately a 6% increase over the January Budget proposal. For community colleges, the total funding amounts to almost $9.9 billion.

Highlighted ongoing items include:

- Retirement of all deferrals
- A SCFF COLA of 5.07% (in part, combining the 2021-22 COLA with the unfunded 2020-21 COLA)
- A one-year extension of the SCFF hold harmless funding provision through the 2024-25 fiscal year
- A 1.7% COLA for specified categorical programs
- $42.4M increase for the Strong Workforce Program
- $100M to support hiring/maintenance of full-time faculty staffing

- $50M to expand vocational training for ESL students
- $30M to support integrated basic needs centers
- $24M increase to the Student Equity and Achievement Program
- $4M to implement the library service platform

Highlighted one-time items include:

- $511M for deferred maintenance
- $250M for emergency financial aid
- $100M for retention and enrollment
- $115M to expand zero-textbook cost pathways
- $100M to support Part-time Faculty Office Hours ($10M ongoing)
- $50M for Guided Pathways
- $100M to support student basic needs
- $30M to support student mental health needs
- $20M for Equal Employment Opportunity efforts

Many of these items were proposed in Governor Newsom's May Revision, but many other new proposals were rejected by the Legislature. The Legislature demonstrated a preference for providing extra support for existing programs rather than creating new ones in the relatively short time provided between the May Revision and the final budget.

Some additional items funded outside of the Proposition 98 guarantee include:

- $2 billion to support construction of student housing
- Removal of Cal Grant age limitations and time-out-of-school restrictions for CCC students; also, Cal Grants will follow CCC students to UC/CSU upon transfer

Challenges Ahead

While the final state budget provides welcomed new resources for the District, we will need to remain focused on our standing in the SCFF. A higher than usual COLA for 2021-22 will likely push our timeline for attaining Community-Supported status back a few years. Cuesta, like most districts in the state, has seen steep declines in enrollment which could limit our funding once the SCFF hold harmless period ends. CalSTRS and CalPERS costs continue to rise, with especially large increases scheduled for the 2022-23 year. Community colleges remain underfunded institutions and are subject to the state's revenue volatility, as the last year's roller coaster ride has shown.

Further, we must also be especially careful with our use of one-time funding. The District has access to an unprecedented amount of one-time funds, due to federal stimulus funding (CARES), deferred maintenance support, and general fund balances due to one-time expenditure savings from the 2020-21 year. While the District should not use one-time funds in ways that expand ongoing cost obligations, we should look for opportunities to utilize funds in ways that support long-term District goals.

Potential areas for action in 2021-22:

- Invest a portion of one-time general fund balances into the PARS account
- Maintain hiring discipline
- Utilize the hold harmless period to recruit and retain new students
- Generate revenue from surplus property
- Consider installing solar panels through Measure L to offset ongoing energy costs
- Recruit more international students

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	$ 1,228,641
Investments	131,371,720
Accounts receivable	8,273,537
Student receivables, net	1,702,823
Prepaid expenses	226,132
Capital assets	
Nondepreciable capital assets	10,101,695
Depreciable capital assets, net of depreciation	189,890,244
Total capital assets	199,991,939
Total assets	342,794,792
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	1,317,413
Deferred outflows of resources related to pensions	15,541,492
Total deferred outflows of resources	16,858,905
Liabilities	
Accounts payable	4,046,755
Accrued interest payable	2,792,837
Unearned revenue	7,785,127
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	16,455,707
Long-term liabilities other than OPEB and pensions, due in more than one year	183,371,535
Aggregate net other postemployment benefits (OPEB) liability	2,343,600
Aggregate net pension liability	73,412,754
Total liabilities	290,208,315
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	7,058
Deferred inflows of resources related to pensions	5,340,545
Total deferred inflows of resources	5,347,603
Net Position	
Net investment in capital assets	80,631,871
Restricted for	
Debt service	27,750,658
Capital projects	1,199,394
Educational programs	1,329,118
Other activities	4,970,062
Unrestricted deficit	(51,783,324)
Total Net Position	$ 64,097,779

Operating Revenues	
Tuition and fees	$ 11,460,086
Less: Scholarship discounts and allowances	(3,960,007)
Net tuition and fees	7,500,079
Grants and contracts, noncapital	
Federal	6,315,107
State	11,191,658
Local	1,162,341
Total grants and contracts, noncapital	18,669,106
Internal service sales and charges	608,542
Total operating revenues	26,777,727
Operating Expenses	
Salaries	43,062,064
Employee benefits	20,802,878
Supplies, materials, and other operating expenses and services	13,191,854
Student financial aid	16,902,616
Equipment, maintenance, and repairs	2,504,255
Depreciation	6,394,678
Total operating expenses	102,858,345
Operating Loss	(76,080,618)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	2,475,519
Local property taxes, levied for general purposes	45,661,283
Taxes levied for other specific purposes	13,667,466
Federal and State financial aid grants	15,498,447
State taxes and other revenues	2,552,658
Investment income	1,196,696
Interest expense on capital related debt	(5,409,483)
Investment income on capital asset-related debt, net	264,457
Other nonoperating revenue	2,505,712
Total nonoperating revenues (expenses)	78,412,755
Income Before Other Losses	2,332,137
Other Losses	
Loss on disposal of capital assets	(897)
Change In Net Position	2,331,240
Net Position, Beginning of Year, as Restated	61,766,539
Net Position, End of Year	$ 64,097,779

Cash Flows from Operating Activities	
Tuition and fees	$ 7,813,175
Federal, state, and local grants and contracts, noncapital	16,315,174
Internal service sales and charges	608,542
Payments to or on behalf of employees	(58,626,211)
Payments to vendors for supplies and services	(14,809,370)
Payments to students for scholarships and grants	(16,902,616)
Net cash flows from operating activities	(65,601,306)
Cash Flows from Noncapital Financing Activities	
State apportionments	1,961,164
Federal and state financial aid grants	17,483,434
Property taxes - nondebt related	45,661,283
State taxes and other apportionments	2,552,658
Other nonoperating	2,527,546
Net cash flows from noncapital financing activities	70,186,085
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(18,380,661)
Proceeds from sale of capital debt	76,263,524
Property taxes - related to capital debt	13,667,466
Principal paid on capital debt	(8,689,081)
Interest paid on capital debt	(5,369,165)
Interest received on capital asset-related debt	264,457
Net cash flows from capital financing activities	57,756,540
Cash Flows from Investing Activities	
Interest received from investments	1,196,696
Change In Cash and Cash Equivalents	63,538,015
Cash and Cash Equivalents, Beginning of Year, as Restated	69,062,346
Cash and Cash Equivalents, End of Year	$ 132,600,361

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (76,080,618)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	6,394,678
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable, net	(1,781,902)
Prepaid expenses	83,580
Deferred outflows of resources related to OPEB	(248,006)
Deferred outflows of resources related to pensions	2,350,511
Accounts payable	747,038
Unearned revenue	(258,934)
Compensated absences and compensatory time	(53,919)
Load banking	133,405
Supplemental retirement plan	(220,786)
Aggregate net OPEB liability	413,738
Aggregate net pension liability	4,822,255
Deferred inflows of resources related to OPEB	(812)
Deferred inflows of resources related to pensions	(1,901,534)
Total adjustments	10,479,312
Net cash flows from operating activities	$ (65,601,306)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 1,228,641
Investments	5,288,533
Cash in county treasury	126,083,187
Total cash and cash equivalents	$ 132,600,361
Noncash Transactions	
Amortization of debt premiums	$ 646,729

Note 1 - Organization

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

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office

Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

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

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $3,025,452 for the year ended June 30, 2021.

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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Compensated Absences and Load Banking

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

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

Debt Premiums

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Unearned Revenue

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

Noncurrent Liabilities

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $35,249,232 of restricted net position.

Operating and Nonoperating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

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

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB No. 84, *Fiduciary Activities.* The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements and this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's trust and agency funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

Note 3 - Deposits and Investments

Policies and Practices

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

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

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, 2021, consist of the following:

	Primary Government
Cash on hand and in banks	$ 1,208,641
Cash in revolving	20,000
Investments	131,371,720
Total deposits and investments	$ 132,600,361

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
San Luis Obispo County Treasury Investment Pool	$ 126,083,187	476	AAAf/S1
Mutual funds	4,656,481	No maturity	Not rated
Equities	632,052	No maturity	Not rated
Total	$ 131,371,720		

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, 2021.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of approximately $227 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, 2021, the District's investment balance of approximately $5.3 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, 2021:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs
Mutual funds	$ 4,656,481	$ 4,656,481
Equities	632,052	632,052
Total	$ 5,288,533	$ 5,288,533

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

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2021 consisted of the following:

		Primary Government
Federal Government		
Categorical aid	$	4,067,944
State Government		
Apportionment		514,355
Categorical aid		2,586,147
Lottery		546,680
Local Sources		
Other local sources		558,411
Total	$	8,273,537
Student receivables	$	4,728,275
Less: allowance for bad debt		(3,025,452)
Student receivables, net	$	1,702,823

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Capital Assets Not Being Depreciated				
Land	$ 1,216,661	$ -	$ -	$ 1,216,661
Construction in progress	20,396,064	6,981,875	(18,492,905)	8,885,034
Total capital assets not being depreciated	21,612,725	6,981,875	(18,492,905)	10,101,695
Capital Assets Being Depreciated				
Land improvements	27,549,984	4,708,692	-	32,258,676
Buildings and improvements	204,245,862	21,433,417	-	225,679,279
Portable buildings	2,325,659	-	-	2,325,659
Equipment	5,587,263	264,352	-	5,851,615
Technology equipment	9,018,308	195,924	-	9,214,232
Vehicles	1,806,443	129,354	(117,676)	1,818,121
Total capital assets being depreciated	250,533,519	26,731,739	(117,676)	277,147,582
Total capital assets	272,146,244	33,713,614	(18,610,581)	287,249,277
Less Accumulated Depreciation				
Land improvements	(16,350,078)	(1,388,022)	-	(17,738,100)
Buildings and improvements	(45,444,993)	(4,156,213)	-	(49,601,206)
Portable buildings	(4,878,938)	(101,369)	-	(4,980,307)
Equipment	(4,417,698)	(285,386)	-	(4,703,084)
Technology equipment	(8,508,415)	(355,697)	-	(8,864,112)
Vehicles	(1,379,317)	(107,991)	116,779	(1,370,529)
Total accumulated depreciation	(80,979,439)	(6,394,678)	116,779	(87,257,338)
Net capital assets	$ 191,166,805	$ 27,318,936	$ (18,493,802)	$ 199,991,939

Note 7 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	$ 118,610,000	$ 70,000,000	$ (8,665,000)	$ 179,945,000	$ 16,210,000
Bond premium	11,568,768	6,263,524	(646,729)	17,185,563	-
Capital leases	49,002	-	(24,081)	24,921	24,921
Compensated absences	1,723,413	-	(30,951)	1,692,462	-
Compensatory time	34,787	-	(22,968)	11,819	-
Load banking	392,500	133,405	-	525,905	-
PARS supplemental retirement plan	662,358	-	(220,786)	441,572	220,786
Total	$ 133,040,828	$ 76,396,929	$ (9,610,515)	$ 199,827,242	$ 16,455,707

Description of Long-Term Liabilities

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

General Obligation Bonds

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

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

On February 18, 2015, the District issued the Election of 2014 General Obligation Bonds, Series A and Series A-1 in the amount of $75,000,000. The bonds mature beginning August 1, 2016 through August 1, 2040, with interest rates ranging from 2.00% to 5.00%. At June 30, 2021, the principal balance outstanding was $52,065,000, and the unamortized premium was $4,565,240. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Election of 2014 General Obligation Bonds, Series B

On January 18, 2018, the District issued the Election of 2014 General Obligation Bonds, Series B in the amount of $73,000,000. The bonds mature beginning August 1, 2018 through August 1, 2043, with interest rates ranging from 3.00% to 5.00%. At June 30, 2021, the principal balance outstanding was $58,685,000, and the unamortized premium was $6,472,362. 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 C

On February 18, 2021, the District issued the Election of 2014 General Obligation Bonds, Series C in the amount of $70,000,000. The District issued $805,000 of federally taxable bonds, which matured on April 1, 2021 and bearing an interest rate of 0.200%. The remaining bonds mature beginning August 1, 2021 through August 1, 2043, with interest rates ranging from 2.00% to 4.00%. At June 30, 2021, the principal balance outstanding was $69,195,000, and the unamortized premium was $6,147,961. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
2/18/2015	8/1/2040	2.00%-5.00%	$ 75,000,000	$ 52,635,000	$ -	$ (570,000)	$ 52,065,000
1/18/2018	8/1/2043	3.00%-5.00%	73,000,000	65,975,000		(7,290,000)	58,685,000
2/18/2021	8/1/2043	0.200%-4.00%	70,000,000	-	70,000,000	(805,000)	69,195,000
				$ 118,610,000	$ 70,000,000	$ (8,665,000)	$ 179,945,000

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	$ 16,210,000	$ 6,506,903	$ 22,716,903
2023	7,435,000	6,165,360	13,600,360
2024	7,920,000	5,863,995	13,783,995
2025	7,795,000	5,552,504	13,347,504
2026	2,655,000	5,342,521	7,997,521
2027-2031	19,900,000	24,328,675	44,228,675
2032-2036	33,995,000	18,377,900	52,372,900
2037-2041	51,870,000	10,207,075	62,077,075
2042-2044	32,165,000	1,596,850	33,761,850
Total	$ 179,945,000	$ 83,941,783	$ 263,886,783

Capital Leases

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

	Police Vehicles
Balance, July 1, 2020	$ 51,582
Payments	(25,791)
Balance, June 30, 2021	$ 25,791

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

Year Ending June 30,	Lease Payment
2022	$ 25,791
Less: Amount representing interest	(870)
Present value of minimum lease payments	$ 24,921

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	(88,918)
Total	$ 53,354

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:

Year Ending June 30,	Payments
2022	$ 220,786
2023	220,786
Total	$ 441,572

Note 8 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, 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	$ 2,060,104	$ 1,317,413	$ 7,058	$ 129,645
Medicare Premium Payment (MPP) Program	283,496	-	-	35,275
Total	$ 2,343,600	$ 1,317,413	$ 7,058	$ 164,920

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
Total	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.

Benefits

The benefit payment 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 benefit payment 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 period of June 30, 2020, the District paid $6,802 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $2,060,104 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	2.20 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 July 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 1,681,641
Service cost	132,133
Interest	61,051
Changes of assumptions	192,081
Benefit payments	(6,802)
Net change in total OPEB liability	378,463
Balance, June 30, 2020	$ 2,060,104

Changes of economic assumptions reflect a change in the discount rate from 3.50% to 2.20% 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 (1.20%)	$ 2,195,517
Current discount rate (2.20%)	2,060,104
1% increase (3.20%)	1,904,198

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	$ 1,921,185
Current healthcare cost trend rate (4.00%)	2,060,104
1% increase (5.00%)	2,224,196

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, 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	$ 178,455	$ -
Differences between expected and actual experience	101,432	-
Changes of assumptions	1,037,526	7,058
Total	$ 1,317,413	$ 7,058

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

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 11.7 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 114,916
2023	114,916
2024	114,916
2025	114,916
2026	114,916
Thereafter	557,320
Total	$ 1,131,900

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, 2019 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, 2021, the District reported a liability of $283,496 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, was 0.0669% and 0.0667%, respectively, resulting in a net increase in the proportionate share of 0.0002%.

For the year ended June 30, 2021, the District recognized OPEB expense of $35,275.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

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

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, 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, 2020, is 2.21%. 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 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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 (1.21%)	$ 313,484
Current discount rate (2.21%)	283,496
1% increase (3.21%)	257,979

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	$ 257,056
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	283,496
1% increase (5.5% Part A and 6.4% Part B)	313,934

Note 9 - Risk Management

Property and Liability Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2021, 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 2020-2021, 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 10 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of the aggregate net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 37,205,256	$ 9,350,888	$ 4,082,922	$ 4,266,816
CalPERS	36,207,498	6,190,604	1,257,623	7,004,348
Total	$ 73,412,754	$ 15,541,492	$ 5,340,545	$ 11,271,164

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, 2019, 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% of final compensation for each year of credited service.

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

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	16.15%	16.15%
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 are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were $2,639,130.

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

At June 30, 2021, 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	$ 37,205,256
State's proportionate share of net pension liability associated with the District	19,179,314
Total	$ 56,384,570

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0384% and 0.0377%, respectively, resulting in a net increase in the proportionate share of 0.0007%.

For the year ended June 30, 2021, the District recognized pension expense of $4,266,816. In addition, the District recognized pension expense and revenue of $2,686,834 for support provided by the State. At June 30, 2021, 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	$ 2,639,130	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,134,286	3,033,669
Differences between projected and actual earnings on pension plan investments	883,783	-
Differences between expected and actual experience in the measurement of the total pension liability	65,650	1,049,253
Changes of assumptions	3,628,039	-
Total	$ 9,350,888	$ 4,082,922

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
2022	$ (539,279)
2023	301,121
2024	600,771
2025	521,170
Total	$ 883,783

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
2022	$ 221,719
2023	375,512
2024	915,676
2025	(166,049)
2026	312,894
Thereafter	85,301
Total	$ 1,745,053

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 56,211,959
Current discount rate (7.10%)	37,205,256
1% increase (8.10%)	21,512,546

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, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

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, 2021, are presented above, and the total District contributions were $3,360,802.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $36,207,498. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.1180% and 0.1186%, respectively, resulting in a net decrease in the proportionate share of 0.0006%.

For the year ended June 30, 2021, the District recognized pension expense of $7,004,348. At June 30, 2021, 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	$ 3,360,802	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	147,522	1,257,623
Differences between projected and actual earnings on pension plan investments	753,725	-
Differences between expected and actual experience in the measurement of the total pension liability	1,795,781	-
Changes of assumptions	132,774	-
Total	$ 6,190,604	$ 1,257,623

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
2022	$ (282,059)
2023	251,587
2024	437,300
2025	346,897
Total	$ 753,725

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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 902,219
2023	75,295
2024	(142,402)
2025	(16,658)
Total	$ 818,454

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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 service

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

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%. 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%)	$ 52,054,881
Current discount rate (7.15%)	36,207,498
1% increase (8.15%)	23,054,965

CalSTRS/CalPERS Irrevocable Trust

During the 2017-2018 fiscal year, the District established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a fund of the District. There were no contributions made to the trust for the year ended June 30, 2021. As of June 30, 2021, the balance of the trust was $3,996,056.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to $2,170,529 (10.328%) 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, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 11 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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

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

The District has appointed one representative to the Governing Board of BACCD and SIPE.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2021, the District made payments of $293,043, $549,098, $2,073,092, $393,708, and $60,582 to the BACCD, SIPE, SISC III, the California Schools Dental Coalition, and the California Schools Vision Coalition, respectively.

Note 12 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

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, 2021.

Construction Commitments

As of June 30, 2021, the District had approximately $1.4 million in commitments with respect to unfinished capital projects. The projects are funded through general obligation bond proceeds.

Note 13 - Restatement of Prior Year Net Position

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	$ 57,615,708
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	4,150,831
Net Position - Beginning, as Restated	$ 61,766,539

Fiduciary Funds	
Net Position - Beginning	$ 3,802,357
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	(3,802,357)
Net Position - Beginning, as Restated	$ -

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and the Statement of Cash Flows to maintain consistency between periods presented.

Required Supplementary Information
June 30, 2021

San Luis Obispo County Community College District

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 132,133	$ 49,070	$ 49,910	$ 48,574
Interest	61,051	18,645	17,572	14,958
Difference between expected and actual experience	-	122,348	-	-
Changes of assumptions	192,081	1,039,567	(9,494)	-
Benefit payments	(6,802)	(28,240)	(30,404)	(29,235)
Net change in total OPEB liability	378,463	1,201,390	27,584	34,297
Total OPEB Liability - Beginning	1,681,641	480,251	452,667	418,370
Total OPEB Liability - Ending	$ 2,060,104	$ 1,681,641	$ 480,251	$ 452,667
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[1] The 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.

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0669%	0.0667%	0.0643%	0.0724%
Proportionate share of the net OPEB liability	$ 283,496	$ 248,221	$ 246,080	$ 304,746
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	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.

	2021	2020	2019	2018
CalSTRS				
Proportion of the net pension liability	0.0384%	0.0377%	0.0358%	0.0400%
Proportionate share of the net pension liability	$ 37,205,256	$ 34,030,373	$ 32,919,196	$ 37,001,870
State's proportionate share of the net pension liability associated with the District	19,179,314	18,565,841	18,847,780	21,889,994
Total	$ 56,384,570	$ 52,596,214	$ 51,766,976	$ 58,891,864
Covered payroll	$ 21,791,088	$ 24,993,550	$ 20,676,715	$ 21,863,394
Proportionate share of the net pension liability as a percentage of its covered payroll	170.74%	136.16%	159.21%	169.24%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.1180%	0.1186%	0.1216%	0.1185%
Proportionate share of the net pension liability	$ 36,207,498	$ 34,560,126	$ 32,424,171	$ 28,288,744
Covered payroll	$ 16,996,212	$ 16,465,580	$ 16,539,566	$ 14,786,650
Proportionate share of the net pension liability as a percentage of its covered payroll	213.03%	209.89%	196.04%	191.31%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

	2017	2016	2015
CalSTRS			
Proportion of the net pension liability	0.0403%	0.0448%	0.0456%
Proportionate share of the net pension liability	$ 32,632,487	$ 30,184,782	$ 26,654,408
State's proportionate share of the net pension liability associated with the District	18,577,093	15,964,422	16,095,083
Total	$ 51,209,580	$ 46,149,204	$ 42,749,491
Covered payroll	$ 21,205,592	$ 20,502,511	$ 20,315,806
Proportionate share of the net pension liability as a percentage of its covered payroll	153.89%	147.22%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	0.1198%	0.1203%	0.1229%
Proportionate share of the net pension liability	$ 23,668,262	$ 17,731,314	$ 13,948,691
Covered payroll	$ 14,591,584	$ 13,149,104	$ 12,898,243
Proportionate share of the net pension liability as a percentage of its covered payroll	162.20%	134.85%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

	2021	2020	2019	2018
CalSTRS				
Contractually required contribution	$ 2,639,130	$ 3,726,276	$ 4,068,950	$ 2,983,650
Contributions in relation to the contractually required contribution	2,639,130	3,726,276	4,068,950	2,983,650
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 16,341,362	$ 21,791,088	$ 24,993,550	$ 20,676,715
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%
CalPERS				
Contractually required contribution	$ 3,360,802	$ 3,351,823	$ 2,974,013	$ 2,568,760
Contributions in relation to the contractually required contribution	3,360,802	3,351,823	2,974,013	2,568,760
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 16,235,758	$ 16,996,212	$ 16,465,580	$ 16,539,566
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%

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

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 2,750,415	$ 2,275,360	$ 1,820,623
Contributions in relation to the contractually required contribution	2,750,415	2,275,360	1,820,623
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 21,863,394	$ 21,205,592	$ 20,502,511
Contributions as a percentage of covered payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 2,053,570	$ 1,728,665	$ 1,547,781
Contributions in relation to the contractually required contribution	2,053,570	1,728,665	1,547,781
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 14,786,650	$ 14,591,584	$ 13,149,104
Contributions as a percentage of covered payroll	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 and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The changes of economic assumptions reflect a change in the discount rate from 3.50% to 2.20% 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 3.50% to 2.21% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or 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, 2021

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 as of June 30, 2021

Member	Office	Term Expires
Mary Strobridge	President	2024
Dr. Debra Stakes	Vice President	2024
Pete Sysak	Trustee	2022
Danna Stroud	Trustee	2024
Patrick Mullen	Trustee	2022
Dawn Grillo	Student Trustee	2022

Administration as of June 30, 2021

Dr. Jill Stearns	President and District Superintendent
Dan Troy	Vice President, Administrative Services
Dr. Elizabeth Coria	Vice President, Student Success and Support Programs
Dr. Jason Curtis	Vice President, Instruction
Melissa Richerson	Vice President, Human Resources and Labor Relations

Auxiliary Organizations in Good Standing

Cuesta College Foundation, established April 18, 1973
Master Agreement revised May 3, 2021
Shannon Hill, Executive Director

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 7,553,548
Federal Pell Grant Program Administrative Allowance	84.063		11,920
Federal Direct Student Loans	84.268		1,796,764
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		322,646
Federal Work-Study Program	84.033		55,526
Subtotal Student Financial Assistance Cluster			9,740,404
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		2,170,238
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		4,310,993
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions Portion	84.425L		9,539
Subtotal			6,490,770
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-640	338,033
Passed through California Department of Education (CDE)			
Adult Basic Education, English as a Second Language	84.002A	14508	139,105
Adult Secondary Education	84.002	13978	13,882
English Literacy and Civics Education	84.002A	14109	14,896
Subtotal			167,883
Integrating Academics, Support and Technology to Increase Student Success	84.031S		410,510
Title V: Increasing Student Access and Success through Guided Pathways	84.031S		10,603
Subtotal			421,113
Child Care Access Means Parents In School (CCAMPIS)	84.335A		91,797
Total U.S. Department of Education			17,250,000

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Treasury			
Passed through California Community Colleges Chancellor's Office			
COVID-19: Coronavirus Relief Fund	21.019	[1]	$ 360,693
U.S. Department of Agriculture			
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665		5,852
Subtotal Forest Service Schools and Roads Cluster			5,852
Cultivating Latinx Student Participation and Success in Agriculture Education	10.223		36,032
Total U.S. Department of Agriculture			41,884
U.S. Nuclear Regulatory Commission			
Nuclear Education and Training Scholarship (NTES) Program			
Supporting a Nuclear Workforce in Transition	77.008		8,582
National Science Foundation			
Research and Development Cluster			
GIS Technology: Mapping, Data Management, and Work-Based Learning Across Industry Sectors	47.076		45,989
Institutionalizing Undergraduate Research Education to Promote Student Engagement and Success	47.076		97,035
Passed through Cal Poly Corporation			
Collaborative Research: Enabling Transfer Student Access to Engineering	47.076	2019-15-51213	344,615
Subtotal Research and Development Cluster			487,639
U.S. Department of Veterans Affairs			
Veterans Education	64.028		2,096
U.S. Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	65,299
Foster and Kinship Care Education	93.658	[1]	59,459
Total U.S. Department of Health and Human Services			124,758
Total Federal Financial Assistance			$ 18,275,652

[1] Pass-Through Entity Identifying Number not available.

Program	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
Adult Ed Block Grant	$ 574,008	$ -	$ 390,347	$ 183,661	$ 183,661
Basic Skills	123,499	206,639	173,585	156,553	156,553
Calfresh Outreach (SB 85)	32,679	-	32,679	-	-
California Apprenticeship Initiative Subaward	135,336	-	101,559	33,777	33,777
CalWORKs	307,902	-	32,523	275,379	275,379
Campus Safety & Sexual Assault	12,117	-	2,615	9,502	9,502
CASCADE DoD Mini-Grant	-	6,627	-	6,627	6,627
Challenge (SYA) Odd Year	37,422	-	-	37,422	37,422
Classified Professional Development	47,356	-	45,866	1,490	1,490
Coop Agencies Resources - Educ (CARE)	180,417	-	55,981	124,436	124,436
COVID Block Grant State Funds	428,723	-	237,097	191,626	191,626
Current & Formerly Incarcerated Students Re-entry	61,332	-	4,297	57,035	57,035
Deputy Sector Navigator 2019-20 Award	58,492	-	-	58,492	58,492
Deputy Sector Navigator 2020-21 Award	200,000	-	86,054	113,946	113,946
Disabled Students Progrms/Svcs (DSPS)	922,605	-	264,027	658,578	658,578
Econ Oppor Program and Svcs (EOPS)	550,279	-	41,221	509,058	509,058
Equal Employment Opportunity	50,000	-	-	50,000	50,000
Financial Aid Technology	111,405	-	64,515	46,890	46,890
Foster and Kinship Care Education (FKCE)	167,848	-	-	167,848	167,848
Guided Pathways	534,202	-	403,737	130,465	130,465
Hunger-Free Campus	41,448	-	7,664	33,784	33,784
Innovation Award	1,694,475	-	1,380,840	313,635	313,635
Instructional Equipment	8,400	-	-	8,400	8,400
ISPIC Nasdaq Mini-Grant	1,090	-	-	1,090	1,090
Medical Healthcare Sevices-CAJC Los Alamitos (CA Military Dept)	11,854	-	-	11,854	11,854
Medical Healthcare Sevices-CAJC Los Alamitos (CA Military Dept)	8,507	7,981	-	16,488	16,488
Medical Healthcare Sevices-SYA Los Alamitos (CA Military Dept)	31,936	13,962	-	45,898	45,898

Program	Program Revenues Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
Mental Health Services Program	$ 120,000	$ 24,785	$ -	$ 144,785	$ 144,785
Mental Health Support Funds	36,567	-	17,363	19,204	19,204
Nursing Enrollment Growth & Retention	120,967	-	-	120,967	120,967
Promise Scholars Program Replication	30,371	-	-	30,371	30,371
South Central Coast Reg Consortium Subaward Teacher Prep Prog	8,922	-	3,052	5,870	5,870
South Central Coast Regional Consortium Strong Workforce Regional District Funding	1,378,256	-	761,106	617,150	617,150
South Central Coast Reg Consortium Subaward Health Sectors	2,597	-	-	2,597	2,597
Strong Workforce Program Local Funding	2,669,928	-	2,070,204	599,724	599,724
Student Equity Program	238,292	803,110	267,055	774,347	774,347
Student Financial Aid (BFAP)	328,268	-	54,867	273,401	273,401
Student Relief Fund-Foster Youth	10,665	-	-	10,665	10,665
Student Retention and Outreach	132,108	-	132,108	-	-
Student Success (Credit)	163,720	1,405,251	19,023	1,549,948	1,549,948
Student Success (Non-Credit)	9,924	102,274	21,049	91,149	91,149
Sunburst Youth Academy	25,067	-	-	25,067	25,067
Tobacco Law Enforcement Grant	30,185	-	-	30,185	30,185
Undocumented Resources Liasons	44,836	-	44,836	-	-
Veteran's Resource Center Categorical	137,376	-	99,193	38,183	38,183
Veteran's Resource Center Grant	13,981	8,846	-	22,827	22,827
YESS, CA	2,116	6,672	-	8,788	8,788
Total state programs	$ 11,837,478	$ 2,586,147	$ 6,814,463	$ 7,609,162	$ 7,609,162

CATEGORIES	**(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2020 only)			
1. Noncredit*	113.89	-	113.89
2. Credit	686.66	-	686.66
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)			
1. Noncredit*	-	-	-
2. Credit	17.71	-	17.71
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	816.27	-	816.27
(b) Daily Census Contact Hours	189.48	-	189.48
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	118.60	-	118.60
(b) Credit	3.50	-	3.50
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	3,845.32	-	3,845.32
(b) Daily Census Procedure Courses	1,317.92	-	1,317.92
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	7,109.35	-	7,109.35
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	161.44	-	161.44
2. Credit	5.74	-	5.74
CCFS-320 Addendum			
CDCP Noncredit FTES	167.46	-	167.46
Centers FTES			
1. Noncredit*	-	-	-
2. Credit	200.01	-	200.01

*Including Career Development and College Preparation (CDCP) FTES.
**Annual report revised as of November 1, 2021.

See Note to Supplementary Information

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP	Reported	Audit	Revised	Reported	Audit	Revised
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 10,142,893	$ -	$ 10,142,893	$ 10,142,893	$ -	$ 10,142,893
Other	1300	7,780,926	-	7,780,926	7,780,926	-	7,780,926
Total Instructional Salaries		17,923,819	-	17,923,819	17,923,819	-	17,923,819
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,916,913	-	4,916,913
Other	1400	-	-	-	387,269	-	387,269
Total Noninstructional Salaries		-	-	-	5,304,182	-	5,304,182
Total Academic Salaries		17,923,819	-	17,923,819	23,228,001	-	23,228,001
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	9,218,100	-	9,218,100
Other	2300	-	-	-	142,101	-	142,101
Total Noninstructional Salaries		-	-	-	9,360,201	-	9,360,201
Instructional Aides							
Regular Status	2200	917,119	-	917,119	917,119	-	917,119
Other	2400	124,625	-	124,625	124,625	-	124,625
Total Instructional Aides		1,041,744	-	1,041,744	1,041,744	-	1,041,744
Total Classified Salaries		1,041,744	-	1,041,744	10,401,945	-	10,401,945
Employee Benefits	3000	6,193,798	-	6,193,798	12,219,335	-	12,219,335
Supplies and Material	4000	-	-	-	583,887	-	583,887
Other Operating Expenses	5000	562,073	-	562,073	4,681,885	-	4,681,885
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		25,721,434	-	25,721,434	51,115,053	-	51,115,053

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
Exclusions	Object/TOP	Reported	Audit	Revised	Reported	Audit	Revised
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	-	-	-	118,390	-	118,390
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	178,455	-	178,455
Objects to Exclude							
Rents and Leases	5060	-	-	-	82,562	-	82,562
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	Reported	Audit	Revised	Reported	Audit	Revised
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,443,636	$ -	$ 1,443,636
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		220,786	-	220,786	2,043,829	-	2,043,829
Total for ECS 84362, 50% Law		$ 25,500,648	$ -	$ 25,500,648	$ 49,071,224	$ -	$ 49,071,224
Percent of CEE (Instructional Salary Cost/Total CEE)		51.97%		51.97%	100.00%		100.00%
50% of Current Expense of Education					$ 24,535,612		$ 24,535,612

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2021.

Activity Classification	Object Code			Unrestricted
EPA Revenue:	8630			$ 1,887,740
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 1,887,740	$ -	$ -	$ 1,887,740
Total Expenditures for EPA		$ 1,887,740	$ -	$ -	$ 1,887,740
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 15,981,371	
Special Revenue Funds	4,990,223	
Capital Project Funds	78,994,810	
Debt Service Funds	30,543,495	
Internal Service Funds	461,072	
Total fund balance - all District funds		$ 130,970,971
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	287,249,277	
Accumulated depreciation is	(87,257,338)	
Total capital assets, net		199,991,939
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to OPEB	1,317,413	
Deferred outflows of resources related to pensions	15,541,492	
Total deferred outflows of resources		16,858,905
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.		(2,792,837)

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:		
General obligation bonds	$ (197,130,563)	
Capital leases	(24,921)	
Compensated absences and compensatory time	(1,704,281)	
Load banking	(525,905)	
PARS supplemental retirement plan	(441,572)	
Aggregate net other postemployment benefits (OPEB) liability	(2,343,600)	
Aggregate net pension liability	(73,412,754)	
Total long-term liabilities		$ (275,583,596)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to OPEB	(7,058)	
Deferred inflows of resources related to pensions	(5,340,545)	
Total deferred inflows of resources		(5,347,603)
Total net position		$ 64,097,779

Note 1 - Purpose of Schedules

District Organization

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

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

Indirect Cost Rate
The District has elected to use the 10% de minimis cost rate.

Donated Personal Protective Equipment (PPE) (unaudited)
Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately $190 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or Assistance Listing numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

Schedule of Expenditures of State Awards

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

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

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

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

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

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 revenue and summarizes the expenditures of EPA funds.

Reconciliation of Governmental Funds to the Statement of Net Position

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

Independent Auditor's Reports
June 30, 2021

San Luis Obispo County Community College District

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2021, 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 18, 2022.

Emphasis of Matter – Change in Accounting Principle
As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the 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 18, 2022

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, 2021. 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, 2021.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 18, 2022

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 2020-2021 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, 2021.

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 2020-2021 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 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
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
Section 499	COVID-19 Response Block Grant Expenditures

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.

Unmodified Opinion
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 in the table above that were audited for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 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 18, 2022

Schedule of Findings and Questioned Costs
June 30, 2021

San Luis Obispo County Community College District

Financial Statements

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 programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
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(a)	No

Identification of major programs

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

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

State Compliance

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

None reported.

None reported.

None reported.

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

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 in Internal Control over Compliance- 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 (Yes or No): 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.

Current Status
Implemented.

State Compliance Findings

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 or No): 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.

Current Status
Implemented.