

**SAN LUIS OBISPO COUNTY  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2015**

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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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 and the aggregate remaining fund information of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and 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 Principles**

As discussed in Note 2 and Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 the Management's Discussion and Analysis on pages 5 through 14, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 59, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 60, and the Schedule of District Contributions on page 61 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 listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, 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 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 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.

Vaininen, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 21, 2015



SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

*Thousands of Success Stories*

## **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, 2015 and 2014. 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 District-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 obligations. 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;
- District-Wide Basic Financial Statements, including required Notes to the Financial Statements; and
- Supplementary Information.

## **FINANCIAL HIGHLIGHTS**

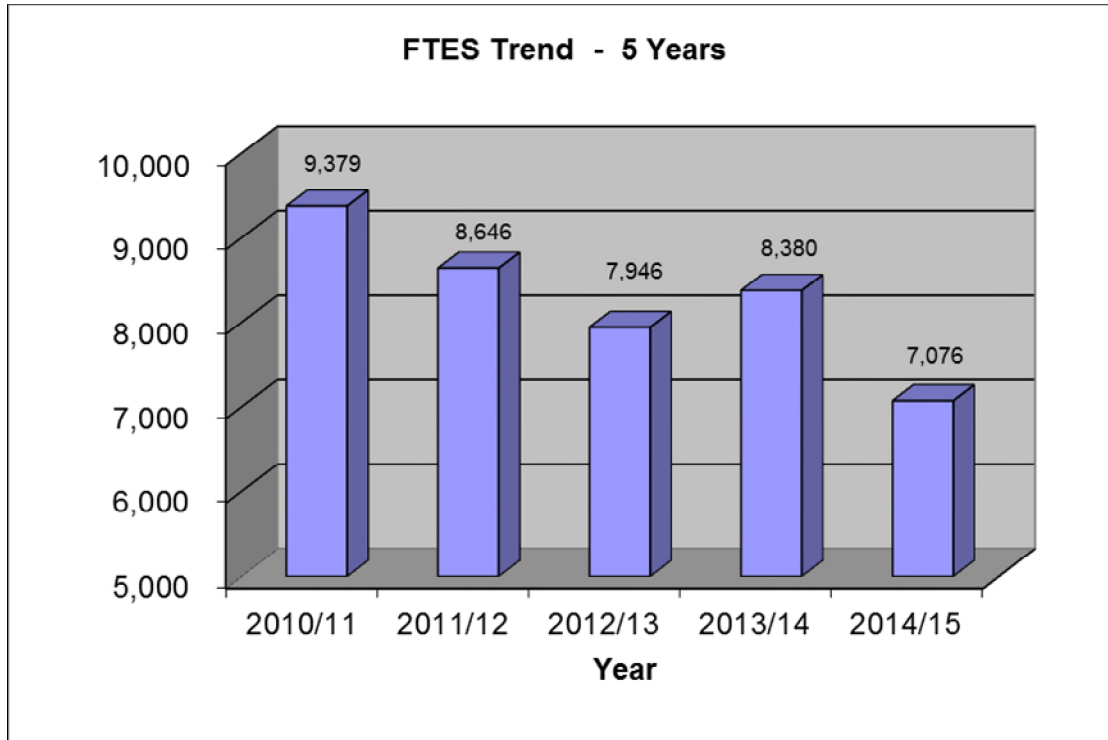
This section provides condensed information for each of the three basic financial statements, as well as illustrative charts, graphs, and tables.

The District's primary funding is based upon an apportionment allocation made by the State of California, Community Colleges Chancellor's Office (System Office). The primary basis for the Chancellor's apportionment calculation is the District's reporting of Full-Time Equivalent Students (FTES). During fiscal years 2014-2015 and 2013-2014, the District's FTES was 7,076 and 8,380, respectively. The District received stability funding in 2014-2015, and apportionment was calculated on the prior year's FTES of 8,380.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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



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. In 2014-2015, Property Taxes, Enrollment Fees, and Education Protection Act funds were greater than base apportionment. Therefore, the District did not receive any Apportionment funds. The matrix below lists the four components and illustrates the net effect of the actual receipts for fiscal year 2014-2015 as compared to fiscal year 2013-2014:

<u>Fiscal Year</u>	<u>2015</u>	<u>2014</u>	<u>Difference</u>
Property tax	\$ 32,768,580	\$ 28,624,170	\$ 4,144,410
Enrollment fees	3,993,008	4,079,919	(86,911)
Apportionment	-	3,145,729	(3,145,729)
Education Protection Act	6,574,833	6,251,956	322,877
<b>Total</b>	<b>\$ 43,336,421</b>	<b>\$ 42,101,774</b>	<b>\$ 1,234,647</b>



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**CONDENSED DISTRICT-WIDE FINANCIAL INFORMATION IS AS FOLLOWS:**

**Condensed Statement of Net Position  
as of June 30, 2015 and 2014**

Amounts in thousands

	<u>2015</u>	<u>2014 (as restated)</u>
<b>ASSETS</b>		
Current Assets		
Cash, investments, and short-term receivables	\$ 81,767	\$ 14,999
Inventory and other assets	<u>600</u>	<u>789</u>
Total Current Assets	<u>82,367</u>	<u>15,788</u>
Noncurrent Assets		
Capital assets, net of depreciation	<u>114,585</u>	<u>114,204</u>
Total Assets	<u>196,952</u>	<u>129,992</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Current year pension contribution	<u>3,368</u>	<u>3,152</u>
Total Assets and Deferred Outflows	<u>\$ 200,320</u>	<u>\$ 133,144</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,084	\$ 3,066
Unearned revenue	2,208	1,422
Current portion - long-term obligations other than pensions	<u>441</u>	<u>1,071</u>
Total Current Liabilities	<u>6,733</u>	<u>5,559</u>
Noncurrent Liabilities		
Noncurrent portion - long-term obligations other than pensions	90,514	20,817
Aggregate net pension obligation	<u>40,603</u>	<u>52,250</u>
Total Noncurrent Liabilities	<u>131,117</u>	<u>73,067</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Net change in proportionate share of net pension liability	476	-
Difference between projected and actual earnings on pension plan investments	<u>11,356</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>11,832</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	84,229	94,352
Restricted	10,967	4,429
Unrestricted	<u>(44,558)</u>	<u>(44,263)</u>
Total Net Position	<u>50,638</u>	<u>54,518</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 200,320</u>	<u>\$ 133,144</u>

# **SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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

Cash, investments, and short-term receivables increased by \$66.8 million, and capital assets increased by \$.4 million. The increase in cash, investments, and short-term receivables was due to the passage of Measure L in November 2014. Measure L approved the District to issue \$275 million in general obligation bonds. The first series of bonds of \$75 million were issued in March 2015. The District will issue bonds every three years for a total of four issuances. Capital assets increased by \$.4 million as a result of an energy savings air cooled chiller that was paid by The California Clean Energy Jobs Act (Proposition 39) and additions to the library collection. Noncurrent liabilities increased by \$58.0 million due to the issuance of the general obligation bonds and the retirement of the 2006 Certificates of Participation.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
for the Years Ended June 30, 2015 and 2014**

Amounts in thousands

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Operating Revenues		
Tuition and fees	\$ 6,732	\$ 6,943
Auxiliary sales and charges	2,913	2,862
Total Operating Revenues	<u>9,645</u>	<u>9,805</u>
Operating Expenses		
Salaries and benefits	48,041	45,185
Supplies, maintenance, and other operating expense	26,350	13,657
Student aid	11,132	10,267
Depreciation	3,803	4,027
Total Operating Expenses	<u>89,326</u>	<u>73,136</u>
Operating Loss	<u>(79,681)</u>	<u>(63,331)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	7,711	11,310
Property taxes	32,538	28,624
Grants and contracts	19,756	17,477
State revenues	2,371	1,717
Investment income	180	87
Interest expense	(502)	(1,411)
Other nonoperating	13,448	2,437
Total Nonoperating Revenues (Expenses)	<u>75,502</u>	<u>60,241</u>
Loss Before Other Revenues	<u>(4,179)</u>	<u>(3,090)</u>
Other Revenues		
State and local capital income	<u>299</u>	<u>981</u>
Net Change in Net Position	<u>\$ (3,880)</u>	<u>\$ (2,109)</u>

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

Operating revenues decreased by over \$200 thousand during fiscal year 2014-2015 due to lower enrollment. Total operating expenditures increased by \$16.2 million. Salaries and benefits increased by \$2.9 million. This was primarily due to the way pension expenses are recorded with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Supplies, maintenance, and other operating expenses increased by \$12.7 million primarily due to capital expenditures of general obligation bond funds. Depreciation decreased by \$224 thousand.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

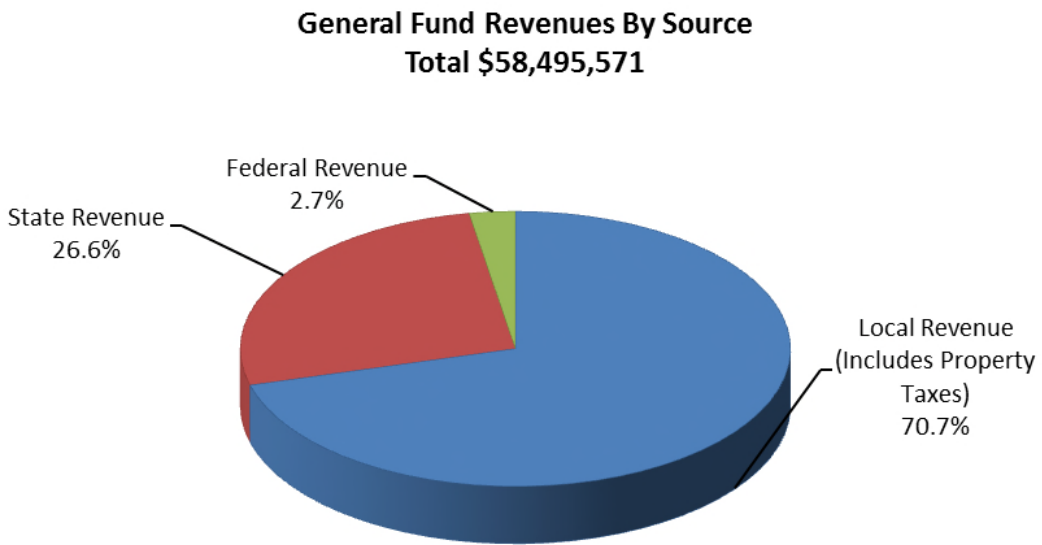
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***General Fund***

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

***General Fund Revenues by Source***

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



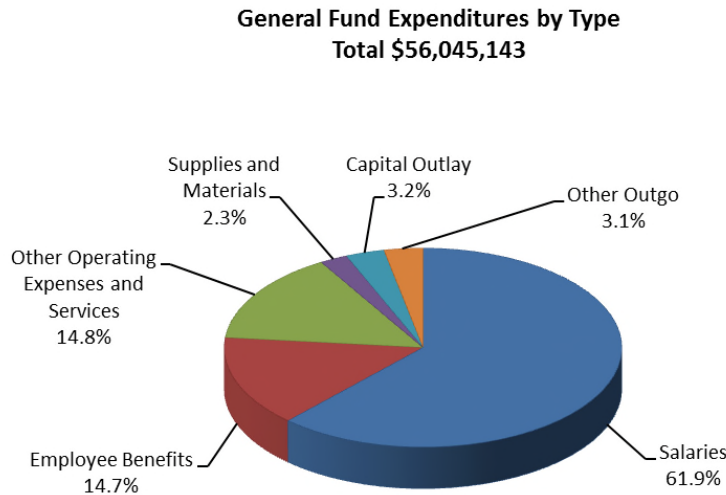
**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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***General Fund Expenditures by Type***

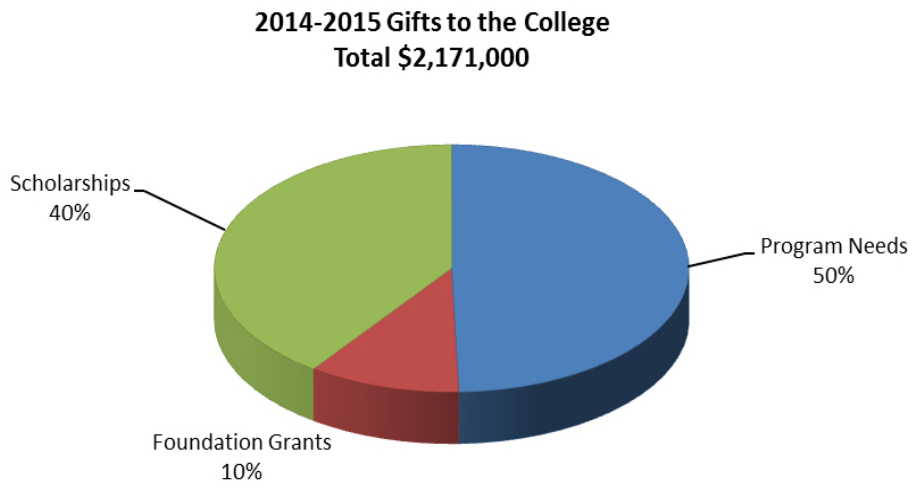
The chart below depicts the District's General Fund total expenditures by type:



***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.



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

*Expenditures by Activity*

The following table summarizes the District's expenditures by activity for the year ended June 30, 2015:

<u>Functional Classifications</u>	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, Materials, Other Operating Expenses, and Services</u>	<u>Depreciation</u>	<u>Total</u>
Instructional	\$ 18,673,294	\$ 5,715,660	\$ 2,940,855	\$ -	\$ 27,329,809
Academic support	2,795,541	604,039	362,875	-	3,762,455
Student services	5,859,814	1,475,128	1,394,437	-	8,729,379
Operation and maintenance of plant	1,828,699	646,965	3,544,684	-	6,020,348
Institutional support	5,710,288	1,658,725	4,450,692	-	11,819,705
Community services and economic development	414,136	60,542	246,110	-	720,788
Auxiliary operations	2,091,504	506,841	3,122,446	-	5,720,791
Student aid	-	-	11,132,197	-	11,132,197
Other outgo	-	-	10,288,305	-	10,288,305
Depreciation	-	-	-	3,802,924	3,802,924
<b>Total</b>	<b>\$ 37,373,276</b>	<b>\$ 10,667,900</b>	<b>\$ 37,482,601</b>	<b>\$ 3,802,924</b>	<b>\$ 89,326,701</b>

**Condensed Statement of Cash Flows  
for the Years Ended June 30, 2015 and 2014**

Amounts in thousands

	<u>2015</u>	<u>2014</u>
Cash Provided by (Used in)		
Operating activities	\$ (75,402)	\$ (59,198)
Noncapital financing activities	80,479	57,336
Capital financing activities	64,696	(5,680)
Investing activities	180	87
Net Change in Cash and Cash Equivalents	69,953	(7,455)
Cash and Cash Equivalents, Beginning of Year	8,571	16,026
Cash and Cash Equivalents, End of Year	<u>\$ 78,524</u>	<u>\$ 8,571</u>

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

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

# **SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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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.

### ***ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE***

#### **State Budget**

The 2015 Budget Act pays down debt and saves for a rainy day as it implements the first year of Proposition 2. In addition, it increases spending on education, health care, In-Home Supportive Services, workforce development, drought assistance, and the judiciary. It establishes the State's first Earned Income Tax Credit to help the State's poorest working families and an amnesty program that will help many Californians pay past due court-ordered debt and regain their drivers' licenses.

Despite stronger revenues compared to a year ago, the Budget remains precariously balanced. The State has hundreds of billions of dollars in existing liabilities, such as deferred maintenance on its roads and other infrastructure and its unfunded liability for future retiree health care benefits for State employees and various pension benefits. In response, the Budget includes \$125 million to address the most critical deferred maintenance and establishes a trust fund for the prefunding of retiree health benefits.

The total General Fund expenditures are \$115 billion. This is \$7 billion higher than what was approved in the 2014 Budget Act. The 2015 Budget Act includes a \$3.4 billion reserve.

#### **California Community Colleges**

Increased State revenues have resulted in an additional \$2.1 billion in Proposition 98 allocations to K-14 schools. New allocations to community colleges are as follows:

##### **Ongoing Funds**

- Cost of Living Adjustment - 1.02%
- Enrollment Growth - 3%
- Student Success and Support Program - \$100 million
- SSSP - Equity - \$85 million
- Career Development College Preparation (CDCP) Rate Equalization - \$49 million
- Apprenticeship Programs - \$29.1 million
- Operating Costs - \$266.7 million
- Full-Time Faculty - \$62.3 million
- Basic Skills Partnership Pilot Program - \$10 million
- Institutional Effectiveness - \$15 million
- Categorical Programs COLA - \$2.5 million
- EOPS restoration to pre-recession level - \$33.7 million

# **SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015**

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### **One-Time Funds**

- Career Technical Education - \$48 million
- Mandate Backlog - \$632 million
- Deferred Maintenance and Instructional Equipment - \$148 million
- Basic Skills and Student Outcomes Transformation Program - \$60 million
- Remaining Deferrals Payoff - \$94.5 million
- Innovation Awards - \$50 million

### **Other Funds**

- Proposition 39 Funding - \$38.7 million
- Adult Education - \$500 million

Despite the surge in revenues, the Governor remains fiscally prudent and is quick to point out that the Budget outlook in future years is far from optimistic. For instance, the 2015-2016 Budget year will be the last full year of revenues from Proposition 30, with the sales tax portion expiring at the end of 2016.

The Legislative Analyst's Office (LAO) released their fiscal outlook for California in November 2015. The LAO reports that the State Budget is better prepared for an economic downturn than it has been at any point in decades. In 2015-2016, they project that the State's General Fund revenues will exceed June 2015 Budget assumptions by \$3.6 billion. Most of that gain will be deposited into the Proposition 2 rainy day fund. In 2016-2017, the LAO projects that revenues will exceed spending under current policies, resulting in even further improvement in the State's fiscal situation. Assuming no new Budget commitments are made, they estimate 2016-2017 would end with reserves of \$11.5 billion.

### **Challenges Ahead for the District**

- The ability to meet our FTES Capacity in order to stabilize and maintain revenue.
- Increase in rates for PERS and STRS.
- Mandated expense with the adoption of Health Care Reform in 2014.
- The rising cost of technology, service contracts, supplies, and facility maintenance.
- The ability of the District to earn restoration funds.
- The ability to maintain required match on categorical funds.
- Compliance with the 50% Law. Unless new legislation is written or waiver proposals are approved, many districts will be affected by having to make Budget decisions based exclusively on the 50% Law.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

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



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT  
JUNE 30, 2015**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 820,973
Short-term investments - unrestricted	12,065,716
Short-term investments - restricted	65,637,123
Accounts receivable	2,880,514
Student receivables, net	338,050
Due from fiduciary funds	25,000
Prepaid expenses	64,726
Inventories	510,110
Other current assets	25,162
<b>Total Current Assets</b>	<u>82,367,374</u>

**Noncurrent Assets**

Nondepreciable capital assets	5,412,853
Depreciable capital assets, net of depreciation	109,171,925
<b>Total Noncurrent Assets</b>	<u>114,584,778</u>
<b>TOTAL ASSETS</b>	<u>196,952,152</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Current year pension contribution	3,368,404
	<u>3,368,404</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable	3,999,534
Accrued interest payable	84,238
Unearned revenue	2,208,338
Current portion of long-term obligations other than pensions	441,154
<b>Total Current Liabilities</b>	<u>6,733,264</u>

**Noncurrent Liabilities**

Noncurrent portion of long-term obligations other than pensions	90,513,382
Aggregate net pension obligation	40,603,099
<b>Total Noncurrent Liabilities</b>	<u>131,116,481</u>
<b>TOTAL LIABILITIES</b>	<u>137,849,745</u>

**DEFERRED INFLOWS OF RESOURCES**

Net change in proportionate share of net pension liability	476,465
Difference between projected and actual earnings on pension plan investments	11,356,524
<b>Total Deferred Inflows of Resources</b>	<u>11,832,989</u>

**NET POSITION**

Net investment in capital assets	84,228,543
Restricted for:	
Debt service	8,521,088
Capital projects	1,167,065
Educational programs	1,278,694
Unrestricted	(44,557,568)
<b>TOTAL NET POSITION</b>	<u>\$ 50,637,822</u>

The accompanying notes are an integral part of these financial statements.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 11,094,159
Less: Scholarship discounts and allowances	(4,362,042)
Net tuition and fees	<u>6,732,117</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	2,472,019
Other Operating Revenues	441,222
<b>TOTAL OPERATING REVENUES</b>	<u><u>9,645,358</u></u>
<b>OPERATING EXPENSES</b>	
Salaries	37,373,276
Employee benefits	10,667,900
Supplies, materials, and other operating expenses and services	26,350,404
Student aid	11,132,197
Depreciation	3,802,924
<b>TOTAL OPERATING EXPENSES</b>	<u><u>89,326,701</u></u>
<b>OPERATING LOSS</b>	<u><u>(79,681,343)</u></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	7,711,102
Local property taxes, levied for general purposes	32,537,543
Grants and Contracts, noncapital	
Federal	12,191,250
State	7,565,335
State taxes and other revenues	2,371,158
Investment income	179,686
Interest expense on capital related debt	(511,191)
Investment income on capital asset-related debt	9,591
Transfer from fiduciary funds	72,980
Other nonoperating revenues	13,374,820
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>75,502,274</u></u>
<b>LOSS BEFORE OTHER REVENUES</b>	<u><u>(4,179,069)</u></u>
<b>OTHER REVENUES</b>	
State revenues, capital	236,770
Local revenues, capital	61,899
<b>TOTAL OTHER REVENUES</b>	<u><u>298,669</u></u>
<b>CHANGE IN NET POSITION</b>	(3,880,400)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>54,518,222</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 50,637,822</u></u>

The accompanying notes are an integral part of these financial statements.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 6,811,214
Payments of student financial aid	(11,132,197)
Payments to vendors for supplies and services	(25,524,532)
Payments to or on behalf of employees	(48,469,334)
Auxiliary enterprise sales and charges	
Bookstore	2,913,241
<b>Net Cash Flows From Operating Activities</b>	<u>(75,401,608)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State apportionments	11,022,165
Property taxes - nondebt related	32,537,543
Noncapital grants and contracts	20,971,313
State taxes and other apportionments	2,371,158
Other nonoperating revenues	13,576,449
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>80,478,628</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(3,464,442)
Proceeds from capital debt	81,114,164
Changes in State revenue, capital projects	(464,270)
Principal paid on capital debt	(11,762,676)
Interest paid on capital debt	(736,464)
Interest received on capital asset-related debt	9,591
<b>Net Cash Flows From Capital Financing Activities</b>	<u>64,695,903</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received from investments	<u>179,686</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	69,952,609
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>8,571,203</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 78,523,812</u>

The accompanying notes are an integral part of these financial statements.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

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**RECONCILIATION OF NET OPERATING LOSS TO NET  
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (79,681,343)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows	
From Operating Activities:	
Depreciation expense	3,802,924
Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Receivables, net	64,697
Inventories	62,797
Prepaid expenses and other assets	125,943
Accounts payable and accrued liabilities	523,789
Unearned revenue	14,400
OPEB liability	65,333
Deferred inflows	11,832,989
Deferred outflows	(216,533)
Pension obligation	(11,646,562)
Compensated absences, compensatory time, load banking and retirement incentives	<u>(350,042)</u>
Total Adjustments	<u>4,279,735</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (75,401,608)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST  
OF THE FOLLOWING:**

Cash in banks	\$ 820,973
Cash in County Treasury and money market	77,702,839
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 78,523,812</u></u>

**NONCASH TRANSACTIONS**

On behalf payments for benefits	<u><u>\$ 1,119,630</u></u>
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The accompanying notes are an integral part of these financial statements.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015**

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	<u>Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Investments	\$ 306,120	\$ 338,645
Accounts receivable	3,390	-
<b>Total Assets</b>	<u>309,510</u>	<u>\$ 338,645</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 367
Due to primary government	25,000	-
Due to student groups	-	338,278
<b>Total Liabilities</b>	<u>25,000</u>	<u>\$ 338,645</u>
<b>NET POSITION</b>		
Unreserved	<u>\$ 284,510</u>	

The accompanying notes are an integral part of these financial statements.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>Trust</u>
<b>ADDITIONS</b>	
Local revenues	<u>\$ 687,428</u>
<b>DEDUCTIONS</b>	
Classified salaries	25,782
Employee benefits	2,774
Books and supplies	5,556
Services and operating expenditures	108,794
<b>Total Deductions</b>	<u>142,906</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>544,522</u>
<b>OTHER FINANCING USES</b>	
Transfers to primary government	(72,980)
Other uses	(496,156)
<b>Total Other Financing Uses</b>	<u>(569,136)</u>
<b>Change in Net Position</b>	(24,614)
<b>Net Position - Beginning</b>	<u>309,124</u>
<b>Net Position - Ending</b>	<u><u>\$ 284,510</u></u>

The accompanying notes are an integral part of these financial statements.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by GASB, the financial reporting entity consists of the primary government and the District.

The following entity met the criteria for inclusion as a "blended" component unit and is consolidated within the financial statements of the District:

- San Luis Obispo County Community College District Financing Corporation

The San Luis Obispo County Community College District Financing Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The financial activity has been "blended" or consolidated within the financial statements of the District as if the activity was the District's. Certificates of Participation issued by the Corporation are included as long-term obligations of the District. Individually prepared financial statements are not prepared for the Corporation. Condensed component unit information for the Corporation, the District's blended component unit, for the year ended June 30, 2015, is as follows:

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### *Condensed Statement of Net Position*

#### ASSETS

Cash and cash equivalent	\$ 2,717,805
Due from other fund	43,000
<b>Total Assets</b>	<b><u><u>\$ 2,760,805</u></u></b>

#### NET POSITION

Restricted for:	
Capital projects	<u><u>\$ 2,760,805</u></u>

### *Condensed Statement of Revenues, Expenses, and Changes in Net Position*

#### NONOPERATING REVENUES

Investment income	<u>\$ 1,830</u>
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#### EXPENDITURES

(1,677,263)

#### TRANSFER IN

13,226,297

#### OTHER USES

(11,181,884)

#### CHANGE IN NET POSITION

368,980

#### NET POSITION, BEGINNING OF YEAR

2,391,825

#### NET POSITION, END OF YEAR

\$ 2,760,805

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.



# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore.

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

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

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

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

# **SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015**

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### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2015, with original maturities greater than one year, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the County investment pools are determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance and capital asset projects.

### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$1,796,021 for the years ended June 30, 2015.

### **Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

### **Inventories**

Inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### **Debt Issuance Costs, Premiums, and Discounts**

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

### **Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land 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. Donated capital assets are recorded at estimated fair market 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. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

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

### **Accrued Liabilities and Long-Term Obligations**

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

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability and for the unamortized amount of net change in proportionate share of net pension liability.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **Pensions**

For purposes of measuring the net pension liability and 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 (the 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.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in 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.

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 school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### **Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenues include (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 are recorded as unearned revenue.

### **Noncurrent Liabilities**

Noncurrent liabilities include bonds and notes payable, compensated absences, compensatory time, load banking, supplemental retirement plan, OPEB obligations, and the net pension obligation with maturities greater than one year.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.

**Restricted:** Net position is reported as restricted when there are limitations imposed on their use, either through 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 resources are available.

**Unrestricted:** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The District-wide financial statements report \$10,966,847 of restricted net position.

### 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.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **Board of Governors Grants (BOGG) and Fee Waivers**

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers 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. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

### **Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, FSEOG Grants, and Federal College Work Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

### **Estimates**

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

### **Interfund Activity**

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

### **Change in Accounting Principles**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$49,097,790. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as the information was not available.



# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

### **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 is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015, consist of the following:

Primary government	\$ 78,523,812
Fiduciary funds	644,765
Total Deposits and Investments	<u>\$ 79,168,577</u>
Cash on hand and in banks	\$ 804,838
Cash in revolving	16,135
Investments	78,347,604
Total Deposits and Investments	<u>\$ 79,168,577</u>

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Interest Rate Risk

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

### Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
San Luis Obispo County Investment Pool	\$ 77,551,780	344
U.S. Bank Money Market	871,202	N/A
Total	<u>\$ 78,422,982</u>	

### 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 County Investment Pool was rated by Fitch Ratings as AAA/V1 as of May 31, 2015. The U.S. Bank Money Market account was not rated.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was \$820,973. Of this balance, \$63,473 was exposed to custodial credit risk because it was uninsured but is collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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***NOTE 4 - ACCOUNTS RECEIVABLE***

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 260,333
State Government	
Categorical aid	493,175
Lottery	736,326
Local Sources	
Foundation	203,272
Interest and other local sources	<u>1,187,408</u>
Total	<u>\$ 2,880,514</u>
Student receivables	\$ 2,134,071
Less allowance for bad debt	<u>(1,796,021)</u>
Student receivables, net	<u>\$ 338,050</u>
	<u>Fiduciary Funds</u>
Other local sources	<u>\$ 3,390</u>

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2015, 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	1,057,398	3,138,794	-	4,196,192
Total Capital Assets Not Being Depreciated	<u>2,274,059</u>	<u>3,138,794</u>	<u>-</u>	<u>5,412,853</u>
Capital Assets Being Depreciated				
Land improvements	15,230,157	-	-	15,230,157
Portable buildings	3,127,728	-	-	3,127,728
Buildings and improvements	139,278,060	108,819	-	139,386,879
Equipment	3,811,430	509,010	82,081	4,238,359
Technology equipment	7,175,306	317,969	-	7,493,275
Furniture and fixtures	152,442	-	-	152,442
Vehicles	1,125,504	108,890	17,432	1,216,962
Total Capital Assets Being Depreciated	<u>169,900,627</u>	<u>1,044,688</u>	<u>99,513</u>	<u>170,845,802</u>
Total Capital Assets	<u>172,174,686</u>	<u>4,183,482</u>	<u>99,513</u>	<u>176,258,655</u>
Less Accumulated Depreciation				
Land improvements	12,474,696	503,172	-	12,977,868
Portable buildings	2,956,674	78,471	-	3,035,145
Buildings and improvements	31,602,320	2,634,085	-	34,236,405
Equipment	3,096,251	232,038	82,081	3,246,208
Technology equipment	6,854,833	287,137	-	7,141,970
Furniture and fixtures	152,442	-	-	152,442
Vehicles	833,250	68,021	17,432	883,839
Total Accumulated Depreciation	<u>57,970,466</u>	<u>3,802,924</u>	<u>99,513</u>	<u>61,673,877</u>
Net Capital Assets	<u>\$ 114,204,220</u>	<u>\$ 380,558</u>	<u>\$ -</u>	<u>\$ 114,584,778</u>

Depreciation expense for the year was \$3,802,924.

Interest expense on capital related debt for the year ended June 30, 2015, was \$651,943. Of this amount, \$140,752 was capitalized.



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>
Vendor payables	\$ 1,817,035
Construction	1,152,344
Accrued payroll	430,537
Instructional service agreements	565,480
Apportionment	34,138
Total	<u>\$ 3,999,534</u>
	<u>Fiduciary Funds</u>
Other	<u>\$ 367</u>

**NOTE 7 - SHORT-TERM BORROWING**

The District issued \$3,625,000 of Tax and Revenue Anticipation Notes dated July 16, 2014. The notes mature on June 30, 2015, and yield .13 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent with 50 percent due in January 2015 and the balance due in April 2015.

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2015</u>
7/16/2014	0.13%	6/30/2015	<u>\$ -</u>	<u>\$ 3,625,000</u>	<u>\$ 3,625,000</u>	<u>\$ -</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue consisted of the following:

	<u>Primary Government</u>
State categorical aid	\$ 770,686
Student tuition and fees and other	1,084,333
Local	353,319
Total	<u>\$ 2,208,338</u>

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### *NOTE 9 - INTERFUND TRANSACTIONS*

#### **Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2015, the fiduciary funds owed the primary government \$25,000.

#### **Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2015 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to \$72,980.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year (as restated)	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
General Obligation Bond - Series A	\$ -	\$ 75,000,000	\$ -	\$ 75,000,000	\$ -
Unamortized Bond Premium	-	6,114,164	81,522	6,032,642	-
2003 Certificates of participation	1,355,000	-	240,000	1,115,000	255,000
2006 Certificates of participation	11,255,000	-	11,255,000	-	-
2009 Certificates of participation	7,050,000	-	140,000	6,910,000	140,000
Notes payable	192,308	-	46,154	146,154	46,154
Total Bonds and Notes Payable	<u>19,852,308</u>	<u>81,114,164</u>	<u>11,762,676</u>	<u>89,203,796</u>	<u>441,154</u>
<b>Other Obligations</b>					
Compensated absences	1,227,052	-	61,650	1,165,402	-
Compensatory time	45,039	-	792	44,247	-
Net OPEB obligation	284,021	109,517	44,184	349,354	-
Load banking	164,898	26,839	-	191,737	-
Supplemental early retirement plan	314,439	-	314,439	-	-
Aggregate net pension obligation	52,249,661	-	11,646,562	40,603,099	-
Total Other Obligations	<u>54,285,110</u>	<u>136,356</u>	<u>12,067,627</u>	<u>42,353,839</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 74,137,418</u>	<u>\$ 81,250,520</u>	<u>\$ 23,830,303</u>	<u>\$ 131,557,635</u>	<u>\$ 441,154</u>

**Description of Debt**

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. Certificates of participation are paid from the unrestricted resources of the General Fund and payment is made through the Other Debt Service Fund. The note payable and the supplemental early retirement plan are paid from resources of the unrestricted General Fund. Compensated absences, compensatory time, and the aggregate net pension obligation payments are employee related and are paid in the funds where the employee's payroll is paid. The net OPEB obligation is paid by the unrestricted General Fund. Load banking is an obligation of the General Fund.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Bonded Debt**

General obligation bonds were approved by a local election on November 4, 2014. The total amount approved by the voters was \$275,000,000 to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. A portion of the District's 2006 Certificates of Participation are to be paid off as well.

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

On February 18, 2015, the District issued the Election of 2014 General Obligation Bonds, Series A and Series A-1 in the amount of \$75,000,000. The bonds mature beginning August 1, 2016 through August 1, 2040, with interest rates ranging from 2.00 percent to 5.00 percent. At June 30, 2015, the principal balance outstanding was \$75,000,000, and the unamortized premium was \$6,032,642. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

The outstanding general obligation bonded debt is as follows:

Issue Date	Series	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding End of Year
					Outstanding Beginning of Year	Issued	Redeemed	
2/18/2015	2014 Series A and A-1	8/1/2040	2% - 5%	\$75,000,000	\$ -	\$75,000,000	\$ -	\$75,000,000

The general obligation bonds mature through 2041 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2016	\$ -	\$ 2,617,098	\$ 2,617,098
2017	7,905,000	2,810,996	10,715,996
2018	7,670,000	2,616,896	10,286,896
2019	6,325,000	2,375,346	8,700,346
2020	465,000	2,241,871	2,706,871
2021-2025	4,065,000	10,915,027	14,980,027
2026-2030	7,950,000	9,730,771	17,680,771
2031-2035	13,820,000	7,075,425	20,895,425
2036-2040	21,430,000	3,352,000	24,782,000
2041	5,370,000	107,400	5,477,400
<b>Total</b>	<b>\$ 75,000,000</b>	<b>\$ 43,842,830</b>	<b>\$ 118,842,830</b>

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### 2003 Certificates of Participation

On July 15, 2003, the San Luis Obispo County Community College District Financing Corporation issued \$3,325,000 of certificates of participation with interest rates ranging from 1.10 percent to 3.80 percent. The certificates mature through July 2017 (fiscal year 2018). At June 30, 2015, the principal balance outstanding is \$1,115,000.

Year Ending June 30,	Principal	Interest	Total
2016	\$ 255,000	\$ 36,623	\$ 291,623
2017	260,000	27,480	287,480
2018	600,000	11,400	611,400
Total	<u>\$ 1,115,000</u>	<u>\$ 75,503</u>	<u>\$ 1,190,503</u>

### 2009 Certificates of Participation

In November 2009, the District issued \$24,995,000 of certificates of participation to finance the acquisition and construction of certain facilities and refinance certain District obligations. The certificates' interest rates range from 3.1 percent to 5.9 percent. The certificates mature through 2040. At June 30, 2015, the principal balance outstanding is \$6,910,000.

Year Ending June 30,	Principal	Interest	Total
2016	\$ 140,000	\$ 379,544	\$ 519,544
2017	150,000	373,919	523,919
2018	155,000	367,625	522,625
2019	160,000	360,731	520,731
2020	170,000	353,094	523,094
2021-2025	975,000	1,627,316	2,602,316
2026-2030	1,260,000	1,326,300	2,586,300
2031-2035	1,660,000	912,681	2,572,681
2036-2040	2,240,000	345,450	2,585,450
Total	<u>\$ 6,910,000</u>	<u>\$ 6,046,660</u>	<u>\$ 12,956,660</u>

### Notes Payable

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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The annual debt service requirements to amortize the notes payable outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	
2016	\$ 46,154
2017	46,154
2018	46,154
2019	7,692
Total	<u>\$ 146,154</u>

**Compensated Absences and Compensatory Time**

Compensated absences and compensatory time at June 30, 2015, are \$1,165,402, and \$44,247, respectively.

**Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2015, was \$110,435, and contributions made by the District during the year were \$44,184. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$14,201 and \$(15,119), respectively, which resulted in an increase to the net OPEB obligation of \$65,333. As of June 30, 2015, the net OPEB obligation was \$349,354. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**Load Banking**

In accordance with the bargaining unit agreement with faculty, unpaid excess courses taught by faculty may be exchanged for reduced teaching load in future terms. The value is based on the salary of the faculty member when earned and is calculated using full-time equivalent units. The accumulated unused value at June 30, 2015, is \$191,737.

**Aggregate Net Pension Obligation**

The District's aggregate net pension obligation for the year ended June 30, 2015, was \$40,603,099. See Note 13 for additional information regarding the District's net pension liability and the employee retirement plans.

**NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Plan Description**

The District offers limited postemployment benefits. One former administrator was offered lifetime health benefits as part of their employment contract. Other than this administrator, certain eligible active and retired employees are provided the opportunity to purchase insurance directly from providers through the District, thereby providing employees with a benefit derived from the combined purchasing power of the employees who elect to participate. Membership of the plan consists of 39 retirees and 432 active plan members.

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. For the fiscal year 2014-2015, the District's actuarial contribution to the plan was \$44,184 all of which was used for current premiums.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$	110,435
Interest on net OPEB obligation		14,201
Adjustment to annual required contribution		(15,119)
Annual OPEB cost (expense)		<u>109,517</u>
Contribution made		<u>(44,184)</u>
Increase in net OPEB obligation		65,333
Net OPEB obligation, beginning of year		284,021
Net OPEB obligation, end of year	\$	<u><u>349,354</u></u>

**Trend Information**

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 93,412	\$ 43,018	46%	\$ 214,383
2014	109,742	40,104	37%	284,021
2015	109,517	44,184	40%	349,354

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Funding Status and Funding Progress**

The funded status of the OPEB Plan as of June 30, 2015, is as follows:

Actuarial Accrued Liability (AAL)	\$ 686,145
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 686,145</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>\$ 34,068,706</u>
UAAL as Percentage of Covered Payroll	<u>2%</u>

The above noted actuarial accrued liability was based on the February 1, 2014, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2014, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return based on the assumed long-term return on plan assets or employer assets. The cost trend rate used for the medical program was four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period is 23 years. The actuarial value of assets was not determined in this actuarial study.

**NOTE 12 - RISK MANAGEMENT**

**Insurance Coverages**

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



# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **Joint Powers Authority Risk Pools**

During fiscal year ended June 30, 2015, 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 2014-2015, 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 Blue Shield, an insurance provider.

### ***NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS***

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 26,654,408	\$ 1,820,623	\$ 6,563,597	\$ 2,301,136
CalPERS	13,948,691	1,547,781	5,269,392	1,239,754
Total	<u>\$ 40,603,099</u>	<u>\$ 3,368,404</u>	<u>\$ 11,832,989</u>	<u>\$ 3,540,890</u>

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, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

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

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

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

**Contributions**

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were \$1,820,623.

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

At June 30, 2015, 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	\$ 26,654,408
State's proportionate share of net pension liability associated with the District	<u>16,095,083</u>
Total	<u><u>\$ 42,749,491</u></u>

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.0456 percent.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$2,301,136. In addition, the District recognized revenue and pension expense of \$1,389,525 for support provided by the State. At June 30, 2015, 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	\$ 1,820,623	\$ -
Difference between projected and actual earnings on pension plan investments	-	6,563,597
Total	<u>\$ 1,820,623</u>	<u>\$ 6,563,597</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow 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,	Amortization
2016	\$ 1,640,899
2017	1,640,899
2018	1,640,899
2019	1,640,900
Total	<u>\$ 6,563,597</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 41,547,252
Current discount rate (7.60%)	26,654,408
1% increase (8.6%)	14,236,484

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**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, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	December 31, 2012	January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**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, 2015, are presented above, and the total District contributions were \$1,547,781.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,948,691. The net pension liability was measured as of June 30, 2014. 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 period June 30, 2014 and June 30, 2013, was 0.1229 percent and 0.1273 percent, respectively, resulting in a net decrease in the proportionate share of 0.0044 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,239,754. At June 30, 2015, 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	\$ 1,547,781	\$ -
Net change in proportionate share of net pension liability	-	476,465
Difference between projected and actual earnings on pension plan investments	-	4,792,927
Total	<u>\$ 1,547,781</u>	<u>\$ 5,269,392</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The deferred inflows of resources related to the net change in proportionate share of net pension liability will be amortized over the Expected Average Remaining Service Lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years, and the pension expense will be recognized as follows:

Year Ended June 30,	<u>Amortization</u>
2016	\$ 158,822
2017	158,822
2018	158,821
Total	<u>\$ 476,465</u>

The deferred 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,	<u>Amortization</u>
2016	\$ 1,198,232
2017	1,198,232
2018	1,198,232
2019	1,198,231
Total	<u>\$ 4,792,927</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 24,469,187
Current discount rate (7.50%)	13,948,691
1% increase (8.50%)	5,157,755

# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2015, which amounted to \$1,119,630 (5.679 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2015. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### ***NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Bay Area Community College District Joint Powers Agency (BACCD), Self-Insurance Program for Employees (SIPE), Self-Insured Schools of California (SISC III), and the California Dental 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, 2015, the District made payments of \$317,903, \$377,526, \$1,893,956, and \$400,757 to the BACCD, SIPE, SISC III, and the California Dental Coalition, respectively.

### ***NOTE 15 - COMMITMENTS AND CONTINGENCIES***

#### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**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, 2015.

**Construction Commitments**

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Bldg 1100 Roof/HVAC Replacement	\$ 179,637	November 30, 2015
Bldg 4200 Roof/HVAC Replacement	146,955	June 30, 2016
Bldg 4500 Roof/HVAC Replacement	146,955	November 30, 2015
Bldg 4600 Roof/HVAC Replacement	146,955	November 30, 2015
	<u>\$ 620,502</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

**NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ 103,616,012
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(52,249,661)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	3,151,871
Net Position - Beginning, as Restated	<u>\$ 54,518,222</u>

**NOTE 17 - SUBSEQUENT EVENTS**

The District issued \$3,595,000 of Tax and Revenue Anticipation Notes dated July 8, 2015. The notes mature on June 30, 2016, and yield .35 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent with 50 percent due in January 2016 and the balance due in April 2016.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2009	\$ -	\$ 641,747	\$ 641,747	0%	\$ 34,721,981	2%
February 1, 2012	-	702,379	702,379	0%	34,634,882	2%
February 1, 2014	-	686,145	686,145	0%	34,068,706	2%

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CalSTRS**

District's proportion of the net pension liability	<u>0.0456%</u>
District's proportionate share of the net pension liability	\$ 26,654,408
State's proportionate share of the net pension liability associated with the District	<u>16,095,083</u>
Total	<u><u>\$ 42,749,491</u></u>
District's covered - employee payroll	<u>\$ 20,315,806</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

**CalPERS**

District's proportion of the net pension liability	<u>0.1229%</u>
District's proportionate share of the net pension liability	<u>\$ 13,948,691</u>
District's covered - employee payroll	<u>\$ 12,898,243</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108.144%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CalSTRS**

Contractually required contribution	\$ 1,820,623
Contributions in relation to the contractually required contribution	<u>1,820,623</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	\$ <u>20,502,511</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

**CalPERS**

Contractually required contribution	\$ 1,547,781
Contributions in relation to the contractually required contribution	<u>1,547,781</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	\$ <u>13,149,104</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

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*SUPPLEMENTARY INFORMATION*

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# SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2015

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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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Patrick Mullen	President	2018
Angela Mitchell	Vice President	2016
Richard Hitchman	Member	2016
Barbara George	Member	2016
Pete Sysak	Member	2018
Dan Cadwell	Student Trustee	2016

### ADMINISTRATION

Gilbert H. Stork	President and District Superintendent
Chris Green	Interim Vice President, Administrative Services
Sandee McLaughlin	Vice President, Student Services and College Centers
Deborah Wulff	Vice President, Academic Affairs

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		\$ 7,171,080
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		97,466
Federal Financial Aid Administration Allowances	84.063		12,735
Federal College Work Study	84.033		107,954
Federal Direct Student Loans	84.268		3,344,821
Total Student Financial Assistance Cluster			<u>10,734,056</u>
Passed through California Community Colleges Chancellor's Office			
Perkins Career Technical Education Act			
Career and Technical Education (CTE), Title I-C	84.048	14-C01-051	331,933
CTE Transitions	84.048A	14-112-640	43,269
Passed through California Department of Education			
Adult Secondary Education	84.002A	40-6881	2,738
Adult Education and Family Literacy Act	84.002A	40-6881	57,987
English Literacy and Civics Education: Civic Participation, Citizenship Preparation	84.002A	40-6881	38,126
Passed through San Luis Obispo County Department of Social Services			
Independent Living Program	84.169	C020 2014	341,592
Total U.S. Department of Education			<u>11,549,701</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Forest Reserve	10.665		4,650
<b>U.S. DEPARTMENT OF DEFENSE</b>			
National Guard Military Operations and Maintenance (O and M) Projects			
Passed through State of California, Military Department			
Dining Facility Coordinator	12.401	A0246 and CO138	83,324
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through Goodwill Industries of Santa Cruz, Monterey, and San Luis Obispo Counties			
WIA Youth Employment	17.259	C014 2014	504,489

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>NATIONAL SCIENCE FOUNDATION</b>			
Passed through Santa Clarita Community College District Project Create*	47.076	1002653	\$ 1,129
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Education	64.028		2,088
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Community Colleges Chancellor's Office Temporary Assistance to Needy Families (TANF)	93.558	**	47,014
Total Expenditures of Federal Awards			<u>\$ 12,192,395</u>

\* Research and Development grant.

\*\* Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Adult Education Consortium (AB86)	\$ 124,271	\$ 73,453	\$ 197,724
Basic Skills	90,000	76,035	166,035
California Career Pathways	600,000	-	600,000
CalWORKS	206,723	-	206,723
CCC Student Mental Health (TAFY)	5,011	-	5,011
Challenge Los Alamitos	176,930	-	176,930
Cooperative Agencies Resources for Education (CARE)	60,524	-	60,524
Deputy Sector Navigator	407,840	27,870	435,710
Deputy Sector Navigator SB858	100,000	-	100,000
Disabled Student Programs and Services (DSPS)	722,752	9,268	732,020
Equal Employment Opportunity	5,416	-	5,416
Extended Opportunity Program and Services (EOPS)	373,474	-	373,474
Faculty and Staff Development (SB1131)	-	309	309
Foster Parent Training Program	137,126	-	137,126
Grizzly Academy Health	159,890	-	159,890
Innovative Wellness Arts	94,904	-	94,904
Institutional Transition Program	631,264	-	631,264
Instructional Equipment	917,496	-	917,496
Matriculation (Credit)	1,145,696	69,373	1,215,069
Matriculation (Non-Credit)	40,622	-	40,622
Nursing Enrollment Growth and Retention	129,587	-	129,587
Student Success (Student Equity)	385,516	-	385,516
Student Financial Aid Administration (BFAP)	328,192	-	328,192
Successful Launch	104,731	8,029	112,760
Technical Education Community Collaborative (SB70)	127,516	30,760	158,276
YESS California	22,500	-	22,500

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable/(Payable)	Unearned Revenue	Total Revenue	Program Expenditures
\$ 172,869	\$ 24,855	\$ -	\$ 197,724	\$ 197,724
166,035	-	71,945	94,090	94,090
300,000	-	224,242	75,758	75,758
206,723	(2,176)	-	204,547	204,547
5,011	-	-	5,011	5,011
76,055	7,233	-	83,288	83,288
60,524	-	-	60,524	60,524
107,870	201,302	-	309,172	309,172
-	24,352	-	24,352	24,352
732,020	-	-	732,020	732,020
5,416	-	-	5,416	5,416
373,474	-	-	373,474	373,474
309	-	109	200	200
68,080	69,046	-	137,126	137,126
68,986	15,247	-	84,233	84,233
61,910	29,671	-	91,581	91,581
80,215	86,989	-	167,204	167,204
917,496	-	-	917,496	917,496
1,215,069	-	281,918	933,151	933,151
40,622	-	-	40,622	40,622
129,587	-	-	129,587	129,587
385,516	-	192,472	193,044	193,044
328,192	-	-	328,192	328,192
74,211	29,979	-	104,190	104,190
127,516	(639)	-	126,877	126,877
17,999	4,501	-	22,500	22,500
<u>\$ 5,721,705</u>	<u>\$ 490,360</u>	<u>\$ 770,686</u>	<u>\$ 5,441,379</u>	<u>\$ 5,441,379</u>

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2015**

<b>CATEGORIES</b>	** Revised Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2014 only)</b>			
1. Noncredit*	101.09	-	101.09
2. Credit	3.48	-	3.48
<b>B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)</b>			
2. Credit	2.78	-	2.78
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,568.80	-	5,568.80
(b) Daily Census Contact Hours	435.80	-	435.80
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	142.16	-	142.16
(b) Credit	109.78	-	109.78
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	510.86	-	510.86
(b) Daily Census Contact Hours	201.51	-	201.51
<b>D. Total FTES</b>	<u>7,076.26</u>	<u>-</u>	<u>7,076.26</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	235.76	-	235.76
2. Credit	225.84	-	225.84
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	165.60	-	165.60
Centers FTES			
1. Noncredit*	11.46	-	11.46
2. Credit	1,041.57	-	1,041.57

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

\*\* Annual report revised as of October 30, 2015.

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 16,830,585	\$ -	\$ 16,830,585	\$ 16,830,585	\$ -	\$ 16,830,585
Other	1300	107	-	107	107	-	107
<b>Total Instructional Salaries</b>		<b>16,830,692</b>	<b>-</b>	<b>16,830,692</b>	<b>16,830,692</b>	<b>-</b>	<b>16,830,692</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	4,393,931	-	4,393,931
Other	1400	-	-	-	213,177	-	213,177
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,607,108</b>	<b>-</b>	<b>4,607,108</b>
<b>Total Academic Salaries</b>		<b>16,830,692</b>	<b>-</b>	<b>16,830,692</b>	<b>21,437,800</b>	<b>-</b>	<b>21,437,800</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	8,137,034	-	8,137,034
Other	2300	-	-	-	377,454	-	377,454
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,514,488</b>	<b>-</b>	<b>8,514,488</b>
<b>Instructional Aides</b>							
Regular Status	2200	765,009	-	765,009	765,009	-	765,009
Other	2400	98,854	-	98,854	98,854	-	98,854
<b>Total Instructional Aides</b>		<b>863,863</b>	<b>-</b>	<b>863,863</b>	<b>863,863</b>	<b>-</b>	<b>863,863</b>
<b>Total Classified Salaries</b>		<b>863,863</b>	<b>-</b>	<b>863,863</b>	<b>9,378,351</b>	<b>-</b>	<b>9,378,351</b>
Employee Benefits	3000	3,776,973	-	3,776,973	7,385,536	-	7,385,536
Supplies and Material	4000	-	-	-	665,089	-	665,089
Other Operating Expenses	5000	607,464	-	607,464	6,232,734	-	6,232,734
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>22,078,992</b>	<b>-</b>	<b>22,078,992</b>	<b>45,099,510</b>	<b>-</b>	<b>45,099,510</b>

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 325,133	\$ -	\$ 325,133	\$ 325,133	\$ -	\$ 325,133
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	154,735	-	154,735
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,013	-	3,013
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	125,986	-	125,986
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	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,177,003	\$ -	\$ 1,177,003
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		325,133	-	325,133	1,785,870	-	1,785,870
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 21,753,859	\$ -	\$ 21,753,859	\$ 43,313,640	\$ -	\$ 43,313,640
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		50.22%		50.22%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 21,656,820		\$ 21,656,820

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH FUND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Proceeds:	8630				\$ 6,574,833
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 6,574,833			\$ 6,574,833
<b>Total Expenditures for EPA</b>		\$ 6,574,833	-	-	\$ 6,574,833
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

**JUNE 30, 2015**

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**Amounts Reported for Governmental Activities in the Statement  
of Net Position are Different Because:**

**Total Fund Balance**

General Fund - unrestricted	\$ 5,260,574	
General Fund - restricted	1,278,694	
Special Revenue Funds	40,402	
Capital Project Funds	60,014,626	
Debt Service Funds	8,605,326	
Enterprise Funds	581,444	
Internal Service Funds	<u>347,254</u>	
<b>Total Fund Balances</b>		
<b>- All District Funds</b>		<b>\$ 76,128,320</b>

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:	176,258,655	
Accumulated depreciation is:	<u>(61,673,877)</u>	
Total Capital Assets on the Statement of Net Position	114,584,778	
Less fixed assets already recorded in the enterprise funds	<u>(5,751)</u>	
Total Capital Assets Net of Capital Assets of the Enterprise Fund		114,579,027

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (84,238)

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 3,368,404

The net change in proportionate share of net pension liability as the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits. (476,465)

Difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. (11,356,524)

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION, CONTINUED  
JUNE 30, 2015**

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Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year end consist of:

General Obligation Bond	\$ 75,000,000	
Unamortized Bond Premium	6,032,642	
2003 Certificates of Participation	1,115,000	
2009 Certificates of Participation	6,910,000	
Note payable	146,154	
Compensated absences (less amount set up in enterprise funds)	1,128,469	
Compensatory time	44,247	
Net OPEB obligation	349,354	
Load banking	191,737	
Aggregate net pension obligation	<u>40,603,099</u>	\$ (131,520,702)
<b>Total Net Position</b>		<b><u><u>\$ 50,637,822</u></u></b>

See accompanying note to supplementary information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

This schedule provides information about the District's governing board members and administration members.

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Federal Financial Aid Administrative Allowances that were recorded in the prior year as revenue, but were not expended until the current year.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		\$ 12,191,250
Federal Financial Aid Administration Allowances	84.063	<u>1,145</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 12,192,395</u></u>

**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 pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

# **SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015**

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

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

### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund 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 internal fund financial statements.

### **Proposition 30 Education Protection Act (EPA) Expenditure Report**

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

### **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 entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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 basic financial statements of the business-type activities and the aggregate remaining fund information of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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) to determine the 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 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 21, 2015.

### **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.

*Vaininen, Trine, Day & Co., LLP*  
Rancho Cucamonga, California  
December 21, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 *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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 consider 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, 2015.

## 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 OMB Circular A-133, 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 a 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vannine, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 21, 2015



## 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 as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

### Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

### 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 to above. 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 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2015.

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 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 430 Schedule Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 Proposition 39 Clean Energy
- Section 440 Intersession Extension Programs
- Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Proposition 30 Education Protection Account Funds

The District received no funding for Proposition 1D; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to the Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

*Vanninen, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 21, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007; 84.033; 84.063; 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**  
**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

# **SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015**

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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 Awards Findings***

None reported.

### ***State Awards Findings***

None reported.