

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

\$57,000,000

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
(San Luis Obispo and Monterey Counties, California)
Election of 2014 General Obligation Bonds, Series D**

Dated: Date of Delivery**Due: As shown on the inside cover**

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The San Luis Obispo County Community College District (San Luis Obispo and Monterey Counties, California) Election of 2014 General Obligation Bonds, Series D (the "Bonds") were authorized at an election of the registered voters of the San Luis Obispo County Community College District (the "District") held on November 4, 2014 at the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of \$275,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of San Luis Obispo and Monterey Counties are empowered and obligated to annually levy such *ad valorem* property taxes for the payment of the principal of and interest on the Bonds upon all property subject to taxation within the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be dated as of their date of initial delivery (the "Date of Delivery"), and will be issued as current interest, bonds such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2024. Principal of the Bonds is due on August 1 in the years and amounts set forth on the inside cover page hereof. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank Trust Company National Association as the designated Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional redemption prior to their stated maturity dates as described herein.

MATURITY SCHEDULE
(see inside front cover)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about February 1, 2024.



Capital
Markets

MATURITY SCHEDULE

Base CUSIP[†]: 798684

\$57,000,000

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
(San Luis Obispo and Monterey Counties, California)
Election of 2014 General Obligation Bonds, Series D

\$57,000,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] Suffix
2024	\$5,000,000	5.000%	2.750%	FL5
2025	2,440,000	5.000	2.430	FM3
2026	2,560,000	5.000	2.290	FN1
2027	1,150,000	5.000	2.150	FP6
2028	730,000	5.000	2.120	FQ4
2029	900,000	5.000	2.030	FR2
2030	1,080,000	5.000	2.030	FS0
2031	1,280,000	5.000	2.040	FT8
2032	1,495,000	5.000	2.050	FU5
2033	1,725,000	5.000	2.060	FV3
2034	1,975,000	5.000	2.050 ⁽¹⁾	FW1
2035	2,245,000	5.000	2.200 ⁽¹⁾	FX9
2036	2,535,000	5.000	2.270 ⁽¹⁾	FY7
2037	2,850,000	5.000	2.390 ⁽¹⁾	FZ4
2038	3,190,000	5.000	2.520 ⁽¹⁾	GA8
2039	3,555,000	5.000	2.660 ⁽¹⁾	GB6
2040	3,945,000	4.000	3.310 ⁽¹⁾	GC4
2041	5,630,000	4.000	3.360 ⁽¹⁾	GD2
2042	6,090,000	4.000	3.440 ⁽¹⁾	GE0
2043	6,625,000	4.000	3.500 ⁽¹⁾	GF7

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

⁽¹⁾ Yield to call at par on August 1, 2033.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities. The Bonds are not registered under the securities laws of any state. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

“The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website and certain social media accounts. However, the information presented thereon is not part of this Official Statement, is not incorporated herein by any reference, and should not be relied upon in making an investment decision with respect to the Bonds.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

Board of Trustees

Dr. Debra Stakes, *President, Trustee District 2*
Danna Stroud, *Vice President, Trustee District 1*
Patrick Mullen, *Trustee, Trustee District 3*
Mary Strobridge, *Trustee, Trustee District 5*
Pete Sysak, *Trustee, Trustee District 4*

District Administration

Dr. Jill Stearns, *Superintendent/President*
Dan Troy, *Assistant Superintendent/Vice President of Administrative Services*
Dr. Jason Curtis, *Assistant Superintendent/Vice President, Instruction*
Dr. Elizabeth Coria, *Assistant Superintendent/Vice President of Student Success and Support Programs*
Melissa Richerson, *Assistant Superintendent/Vice President of Human Resources and Labor Relations*
Chris Green, *Director, Fiscal Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
San Francisco, California

Paying Agent

U.S. Bank Trust Company, National Association
Los Angeles, California

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\$57,000,000
SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
(San Luis Obispo and Monterey Counties, California)
Election of 2014 General Obligation Bonds, Series D

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of San Luis Obispo County Community College District (San Luis Obispo and Monterey Counties, California) Election of 2014 General Obligation Bonds, Series D (the “Bonds”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement for the Bonds, the Governor of California released the proposed State budget for fiscal year 2024-25 (herein defined as the “Proposed 2024-25 Budget”). As a result, information regarding the Proposed 2024-25 Budget has been added under the heading “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance” herein.

The District

The San Luis Obispo County Community College District (the “District”) was established in 1963 and provides educational services to residents of San Luis Obispo County (the “County”) and Monterey County (together with the County, the “Counties”). The District operates a single college, Cuesta College, which is currently fully accredited by the Accrediting Commission for Community and Junior Colleges (“ACCJC”). Cuesta College’s main campus is located along State Highway 1, just outside the City of San Luis Obispo. The District also operates the North County Center in the City of Paso Robles and offers evening classes at Arroyo Grande High School in Arroyo Grande, California.

For fiscal year 2023-24, taxable property within the District has an assessed valuation of \$71,467,273,759, and the District’s projected actual full-time equivalent student (“FTES”) count is 7,168 students.

The governing body of the District is the Board of Trustees (the “Board”), which includes five voting members elected by the voters within the five trustee areas of the District. The Trustees each serve four-year terms. Elections for trustee positions to the Board are held every two years, alternating between two and three positions. The management and policies of the District are administered by a Board-appointed Superintendent/President. Dr. Jill Stearns is the District’s current Superintendent/President.

For more information about the District generally, see “SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT” herein. For more information regarding the District’s assessed valuation, see “TAX BASE FOR REPAYMENT OF BONDS” herein. The District’s audited financial statements for fiscal year ended June 30, 2023 are attached hereto as APPENDIX A and should be read in

their entirety. The District's audited financial statements for fiscal year ended June 30, 2023 are expected to be approved by the Board on February 7, 2024.

Purpose of the Bonds

The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes for the payment of the principal of and interest on the Bonds upon all property subject to taxation within the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment" herein.

Authority for the Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and other applicable law, and pursuant to the resolution adopted by the Board on December 6, 2023 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of interests in the Bonds (the "Beneficial Owners") through the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (defined herein). Beneficial Owners will not be entitled to receive physical delivery of the Bonds, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," or "Holders" of the Bonds (other than under the caption "TAX MATTERS" herein, and in APPENDIX B, attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available in denominations of \$5,000 principal amount or any integral multiple thereof.

Redemption. The Bonds maturing on or after August 1, 2034 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 2033 or on any date thereafter, as a whole or in part. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year (each a "Bond Payment Date"),

commencing August 1, 2024. Principal of the Bonds is due on August 1 in the years and amounts set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association, as the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry Only System” herein.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California (“State”) personal income tax. See “TAX MATTERS” with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about February 1, 2024.

Bondowner’s Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District’s financial condition and taxation of property within the District, and certain other considerations, see “TAX BASE FOR REPAYMENT OF BONDS” and “LIMITATION ON REMEDIES; BANKRUPTCY” herein.

Continuing Disclosure

The District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “LEGAL MATTERS – Continuing Disclosure” herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in APPENDIX C.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “intend,” “budget” or other similar

words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth LLP, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. U.S. Bank Trust Company, National Association, Los Angeles, California will act as Paying Agent in connection with the issuance of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from San Luis Obispo County Community College District, P.O. Box 8106, San Luis Obispo, California, 93403 telephone: (805) 546-3118. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each of such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in

connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, Article XIII A of the State Constitution and pursuant to the Resolution.

The District received authorization at an election held on November 4, 2014 by the requisite 55% or more of the votes cast by eligible voters within the District to issue \$275,000,000 of general obligation bonds (the "2014 Authorization"). The District has issued four series of bonds under the 2014 Authorization. The Bonds represent the fifth and final issuance of bonds under the 2014 Authorization, and following the issuance thereof, no portion of the 2014 Authorization will remain authorized and unissued. See "SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds" herein for additional information.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes, for the payment of the principal of and interest on the Bonds upon all property subject to taxation within the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. However, the Counties are not obligated to establish or maintain such a reserve, and the District can make no representations that the Counties will do so. Such taxes, when collected, will be placed in the Debt Service Fund (defined herein), which is required to be segregated and maintained by the County. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and the County will maintain the Debt Service Fund, the Bonds are not a debt of either of the Counties.

Moneys in the Debt Service Fund generated by the *ad valorem* property taxes levied as described above, to the extent necessary to pay the principal of and interest on the Bonds, as the same become due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax

rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, outbreaks of disease, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the "State") and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, fire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, both as to principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Description of the Bonds

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Purchasers will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. See "THE BONDS – Book Entry Only System" herein.

Interest on the Bonds accrues from the Date of Delivery. Interest on the Bonds is payable semiannually on each Bond Payment Date, commencing August 1, 2024. Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2024, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the “Record Date”), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

Book-Entry Only System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “MMI Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has an S&P (as defined herein) rating of “AA+.” The DTC Rules applicable to its Participants are on file with

the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment

of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for a Bond of like series, tenor, maturity and principal amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such designated office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Application and Investment of Bond Proceeds

The Bonds are being issued by the District to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds. The net proceeds of the sale of the Bonds will be deposited in the building fund for the Bonds created by the Resolution (the “Building Fund”). Any interest earnings on moneys held in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds.

The *ad valorem* property taxes levied by the Counties for the payment of the Bonds, when collected, will be deposited into a debt service fund created by the Resolution (the “Debt Service Fund”) to be held by the County for payment of principal of and interest on the Bonds and all other bonds issued by the District. Any accrued interest or premium received by the County on the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, any such excess amounts will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Debt Service Fund and the Building Fund will be invested through the County’s treasury pool. For more information, see “APPENDIX E – SAN LUIS OBISPO COUNTY TREASURY POOL” herein.

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Annual Debt Service

The following table summarizes the annual debt service requirements of the District for the Bonds (assuming no optional redemptions):

Year Ending (August 1)	Annual Principal Payment	Annual Interest Payment⁽¹⁾	Total Annual Debt Service Payment
2024	\$5,000,000.00	\$1,313,550.00	\$6,313,550.00
2025	2,440,000.00	2,377,100.00	4,817,100.00
2026	2,560,000.00	2,255,100.00	4,815,100.00
2027	1,150,000.00	2,127,100.00	3,277,100.00
2028	730,000.00	2,069,600.00	2,799,600.00
2029	900,000.00	2,033,100.00	2,933,100.00
2030	1,080,000.00	1,988,100.00	3,068,100.00
2031	1,280,000.00	1,934,100.00	3,214,100.00
2032	1,495,000.00	1,870,100.00	3,365,100.00
2033	1,725,000.00	1,795,350.00	3,520,350.00
2034	1,975,000.00	1,709,100.00	3,684,100.00
2035	2,245,000.00	1,610,350.00	3,855,350.00
2036	2,535,000.00	1,498,100.00	4,033,100.00
2037	2,850,000.00	1,371,350.00	4,221,350.00
2038	3,190,000.00	1,228,850.00	4,418,850.00
2039	3,555,000.00	1,069,350.00	4,624,350.00
2040	3,945,000.00	891,600.00	4,836,600.00
2041	5,630,000.00	733,800.00	6,363,800.00
2042	6,090,000.00	508,600.00	6,598,600.00
2043	<u>6,625,000.00</u>	<u>265,000.00</u>	<u>6,890,000.00</u>
TOTAL	<u>\$57,000,000.00</u>	<u>\$30,649,300.00</u>	<u>\$87,649,300.00</u>

⁽¹⁾ Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2024.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2033 are not subject to redemption prior to their stated maturity dates. The Bonds maturing on or after August 1, 2034 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2033, at a redemption price equal to the principal amount of the Bonds selected for redemption, without premium, together with interest accrued thereon to the date of redemption.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption by lot. Redemption by lot will be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part will be in the principal amount of \$5,000 or any integral multiple thereof.

Redemption Notice. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the

Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) provide such Redemption Notice to such persons as may be required by the Continuing Disclosure Certificate.

“Information Services” means Municipal Securities Rulemaking Board’s Electronic Municipal Market Access.

“Securities Depository” means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose as described in “– Defeasance” herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price thereof. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District, so as to be available therefor on such redemption date, and if Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice of Bonds as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in “– Defeasance” herein, such notice will state that such redemption will be conditional upon the receipt by the independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect, the Bonds shall not be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon and redemption premiums, if any), at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash and any amounts transferred from the Debt Service Fund, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian

and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by Moody's Investors Service ("Moody's") or S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P").

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount of Bonds	\$57,000,000.00
Original Issue Premium	<u>6,552,005.40</u>
Total Sources	<u>\$63,552,005.40</u>

Uses of Funds

Deposit to Building Fund	\$56,591,250.00
Deposit to Debt Service Fund	6,552,005.40
Underwriter's Discount	213,750.00
Costs of Issuance ⁽¹⁾	<u>195,000.00</u>
Total Uses	<u>\$63,552,005.40</u>

⁽¹⁾ Reflects all costs of issuance of the Bonds, including the legal fees, printing costs, rating agencies fees, and the costs and fees of the Paying Agent.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes levied and collected by the Counties on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the Counties at the same time and on the same rolls as county, city and special district property taxes. Assessed valuations are the same for District and the Counties taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each of the Counties levies and collects all property taxes for property falling within the respective county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the applicable Treasurer-Tax Collector (the “Treasurer”). After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of \$10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer of the relevant county.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also “– Tax Levies, Collections and Delinquencies” herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including community college districts, will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

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Assessed Valuations

The following table displays the history of assessed valuations in the District for fiscal years 2014-15 through 2023-24, each as of the date the equalized assessment roll is established in August of each year.

ASSESSED VALUATIONS Fiscal Years 2014-15 through 2023-24 San Luis Obispo County Community College District

San Luis Obispo County Portion

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2014-15	\$41,620,227,795	\$27,993,715	\$1,169,934,761	\$42,818,156,271	--
2015-16	44,212,897,237	24,718,197	1,190,406,873	45,428,022,307	6.10%
2016-17	46,723,539,227	23,771,533	1,292,720,614	48,040,031,374	5.75
2017-18	49,366,210,127	6,815,008	1,309,556,443	50,682,581,578	5.50
2018-19	52,267,591,276	6,660,000	1,344,043,803	53,618,295,079	5.79
2019-20	55,090,452,484	6,665,815	2,264,080,177	57,361,198,476	6.98
2020-21	58,042,323,093	7,017,942	2,261,566,816	60,310,907,851	5.14
2021-22	60,466,111,655	6,973,202	2,178,044,483	62,651,129,340	3.88
2022-23	64,507,555,103	7,452,738	2,423,263,341	66,938,271,182	6.84
2023-24	68,450,925,127	7,374,151	2,653,984,751	71,112,284,029	6.24

Monterey County Portion

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2014-15	\$204,311,228	--	\$2,199,081	\$206,510,309	--
2015-16	223,271,515	--	15,657,077	238,928,592	15.70%
2016-17	236,786,214	--	1,897,859	238,684,073	(0.10)
2017-18	244,099,348	--	3,451,713	247,551,061	3.71
2018-19	253,634,930	--	22,046,696	275,681,626	11.36
2019-20	262,682,377	--	818,807,877	1,081,490,254	292.30
2020-21	263,861,647	--	45,307,207	309,168,854	(71.41)
2021-22	277,411,982	--	43,919,361	321,331,343	3.93
2022-23	292,343,085	--	45,500,875	337,843,960	5.14
2023-24	306,019,369	--	48,970,361	354,989,730	5.08

Total District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2014-15	\$41,824,539,023	\$27,993,715	\$1,172,133,842	\$43,024,666,580	--
2015-16	44,436,168,752	24,718,197	1,206,063,950	45,666,950,899	6.14%
2016-17	46,960,325,441	23,771,533	1,294,618,473	48,278,715,447	5.72
2017-18	49,610,309,475	6,815,008	1,313,008,156	50,930,132,639	5.49
2018-19	52,521,226,206	6,660,000	1,366,090,499	53,893,976,705	5.82
2019-20	55,353,134,861	6,665,815	3,082,888,054	58,442,688,730	8.44
2020-21	58,306,184,740	7,017,942	2,306,874,023	60,620,076,705	3.73
2021-22	60,743,523,637	6,973,202	2,221,963,844	62,972,460,683	3.88
2022-23	64,799,898,188	7,452,738	2,468,764,216	67,276,115,142	6.83
2023-24	68,756,944,496	7,374,151	2,702,955,112	71,467,273,759	6.23

Source: California Municipal Statistics, Inc.; Percent change figures provided by the Underwriter.

Reduction in Assessed Valuation. Economic and other factors beyond the District's control, such as general market decline in property values, outbreak of disease, disruption in financial markets that may reduce availability of financing for purchasers of property, outbreak of disease, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by

the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, wildfire, flood or toxic contamination could cause a reduction in the assessed value of taxable property within the boundaries of the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the Counties to pay the debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein.

Seismic Events. Portions of the District are located within hazard areas identified by the Tsunami Hazard Area Map (“THAP”) for the Counties. THAPs are produced jointly by the California Geological Survey and the Governor’s Office of Emergency Services to assist cities and counties identify potential areas of inundation and other damage related to a tsunami event. The District is also located in a seismically active region of the State. The San Andreas Fault runs through the eastern part of the San Luis Obispo County and the southern part of Monterey County. Additionally, the southern portion of the San Gregorio Fault runs through Monterey Bay located in Monterey County. An earthquake of large magnitude or tsunami could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region’s economy.

Drought. In recent years the State has experienced severe drought conditions. In January of 2014, the Governor of the State (the “Governor”) declared a statewide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history, the State’s river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. In April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. On May 10, 2021, the Governor expanded the emergency drought declaration to include an additional 39 counties throughout the State, including the Counties. On July 8, 2021 the Governor expanded the declaration to further include an additional nine counties. On October 19, 2021, the Governor extended the declaration to include the remaining counties in the State, such that the drought state of emergency was in effect Statewide.

Significant snowfall and precipitation in the State commencing in January 2023 have generally eliminated most of the State’s drought conditions. According to the U.S. Drought Monitor, portions of the State in the far north and lower south-west regions continue to be classified in the abnormally to severe drought categories, however the majority of the State, including the Counties, is currently classified as having no drought conditions. In addition, on March 24, 2023, the Governor rescinded most of his emergency drought declarations, including Executive Order N-27-22. The District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future.

The District cannot make any representation regarding the effects that the drought had, or, if it should reoccur, may have on the value of taxable property within the District, or to what extent future droughts could cause disruptions to economic activity, including agriculture economic activity, within the boundaries of the District.

Wildfires. Major wildfires have occurred in recent years in different regions of the State, including in the fall of 2020 and in the summer of 2021. The District has not sustained any property losses as a result of wildfires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a

variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Sea Level Rise. The County initiated a multi-jurisdictional hazard mitigation plan for land in the County, including identifying risks associated with sea level rise and coastal erosion. The study was completed in October 2019 and titled “San Luis Obispo County Multi-Jurisdiction Hazard Mitigation Plan” (the “Plan”). The Plan references and finds risk of potential impacts to property in the County in the event of various sea level rise and coastal erosion scenarios. The Plan concludes that if the sea level were to rise to specific levels, the resulting flooding could damage infrastructure and property in the County. The Plan is available on the County website (<https://www.slocounty.ca.gov/Departments/Planning-Building/Forms-Documents/Plans-and-Elements/Elements/Local-Hazard-Mitigation-Plan.aspx/>); however, neither the Plan nor the County’s website is incorporated by reference herein. The District is unable to predict whether sea level rise, or associated impacts thereof, will occur, and if any such events occur, whether they will have a material adverse effect on the assessed valuation of property within the District, the financial condition of the District or more generally the region’s economy

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. See also “—Drought,” “—Wildfires” and “—Sea Level Rise” herein. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Appeals and Adjustments of Assessed Valuations. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the “SBE”), with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the applicable county assessor and may be adjusted back

to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIII A of the California Constitution” herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the applicable county assessor, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the “Governor”) signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE has only heard appeals related to the programs that it constitutionally administers and the Office of Tax Appeals hears tax appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

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Assessed Valuations and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2023-24.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2023-24
San Luis Obispo County Community College District

	2023-24	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural/Vineyards	\$2,415,236,978	3.51%	3,915	2.87%
Commercial	5,297,191,381	7.70	3,495	2.56
Vacant Commercial	703,554,417	1.02	1,194	0.87
Professional/Office	1,184,243,211	1.72	1,405	1.03
Industrial	1,272,815,400	1.85	886	0.65
Vacant Other	66,943,699	0.10	6,239	4.57
Government/Social/Institutional	216,380,408	0.31	470	0.34
Miscellaneous	22,562,769	0.03	134	0.10
Subtotal Non-Residential	\$11,178,928,263	16.26%	17,738	12.98%
<u>Residential:</u>				
Single Family Residence	\$45,435,237,247	66.08%	75,560	55.30%
Condominium/Townhouse	3,943,008,996	5.73	9,009	6.59
Time Share	44,631,278	0.06	10,123	7.41
Mobile Homes and Lots	1,598,888,961	2.33	7,015	5.13
Mobile Home Park	400,676,136	0.58	107	0.08
2-4 Residential Units	1,699,634,774	2.47	3,161	2.31
5+ Residential Units/Apartments	1,402,294,561	2.04	714	0.52
Miscellaneous Residential	42,402,436	0.06	198	0.14
Vacant Residential	3,011,241,844	4.38	13,008	9.52
Subtotal Residential	\$57,578,016,233	83.74%	118,895	87.02%
Total	\$68,756,944,496	100.00%	136,633	100.00%

⁽¹⁾ Total Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2023-24 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES

Fiscal Year 2023-24

San Luis Obispo County Community College District

	No. of Parcels	2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	75,560	\$45,435,237,247	\$601,313	\$514,860

2023-24 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	3,271	4.329%	4.329%	\$208,838,086	0.460%	0.460%
100,000 - 199,999	5,684	7.522	11.852	884,147,095	1.946	2.406
200,000 - 299,999	8,925	11.812	23.663	2,244,338,122	4.940	7.345
300,000 - 399,999	9,073	12.008	35.671	3,181,286,426	7.002	14.347
400,000 - 499,999	9,461	12.521	48.192	4,257,087,110	9.370	23.717
500,000 - 599,999	8,625	11.415	59.607	4,731,432,474	10.414	34.130
600,000 - 699,999	7,610	10.071	69.678	4,935,965,885	10.864	44.994
700,000 - 799,999	6,115	8.093	77.771	4,569,578,172	10.057	55.051
800,000 - 899,999	4,652	6.157	83.928	3,943,381,980	8.679	63.730
900,000 - 999,999	3,305	4.374	88.302	3,127,737,700	6.884	70.614
1,000,000 - 1,099,999	2,165	2.865	91.167	2,264,593,088	4.984	75.599
1,100,000 - 1,199,999	1,360	1.800	92.967	1,559,698,702	3.433	79.031
1,200,000 - 1,299,999	1,138	1.506	94.473	1,418,543,088	3.122	82.153
1,300,000 - 1,399,999	842	1.114	95.588	1,132,239,855	2.492	84.645
1,400,000 - 1,499,999	615	0.814	96.402	890,476,276	1.960	86.605
1,500,000 - 1,599,999	465	0.615	97.017	718,913,119	1.582	88.188
1,600,000 - 1,699,999	369	0.488	97.505	608,070,417	1.338	89.526
1,700,000 - 1,799,999	292	0.386	97.892	511,186,924	1.125	90.651
1,800,000 - 1,899,999	250	0.331	98.223	462,149,868	1.017	91.668
1,900,000 - 1,999,999	202	0.267	98.490	393,452,757	0.866	92.534
2,000,000 and greater	1,141	1.510	100.000	3,392,120,103	7.466	100.000
	75,560	100.000%		\$45,435,237,247	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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Assessed Valuation by Jurisdiction. The following table shows a breakdown of the District's fiscal year 2023-24 assessed valuation by jurisdiction.

ASSESSED VALUATION BY JURISDICTION⁽¹⁾
Fiscal Year 2023-24
San Luis Obispo County Community College District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Arroyo Grande	\$3,940,949,126	5.51%	\$3,940,949,126	100.00%
City of Atascadero	5,144,472,225	7.20	5,144,472,225	100.00
City of Grover Beach	2,204,816,722	3.09	2,204,816,722	100.00
City of Morro Bay	3,256,974,931	4.56	3,256,974,931	100.00
City of Paso Robles	6,564,357,373	9.19	6,564,357,373	100.00
City of Pismo Beach	4,456,799,247	6.24	4,456,799,247	100.00
City of San Luis Obispo	12,184,949,150	17.05	12,184,949,150	100.00
Unincorporated Monterey County	354,989,730	0.50	43,781,538,187	0.81
Unincorporated San Luis Obispo County	<u>33,358,965,255</u>	<u>46.68</u>	33,425,709,096	99.80
Total District	\$71,467,273,759	100.00%		
<u>Summary by County:</u>				
Monterey County	\$354,989,730	0.50%	\$88,069,237,236	0.40
San Luis Obispo County	<u>71,112,284,029</u>	<u>99.50</u>	71,179,027,870	99.91
Total District	\$71,467,273,759	100.00%		

⁽¹⁾ Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

The table on the following page shows (i) total secured *ad valorem* property tax levies within the District, and amount and percentage delinquencies as of June 30, for the fiscal years 2015-16 through 2022-23, and (ii) secured *ad valorem* property tax levies for the District's bonded debt, and amount and percentage delinquencies as of June 30, for fiscal years 2015-16 through 2022-23.

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SECURED *AD VALOREM* TAX CHARGES AND DELINQUENCIES
Fiscal Years 2015-16 through 2022-23
San Luis Obispo County Community College District

San Luis Obispo County

	Secured <u>Tax Charge</u>⁽¹⁾	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2015-16	\$30,376,490.04	\$286,992.38	0.94%
2016-17	21,176,195.59	302,644.36	0.94
2017-18	33,970,481.85	327,804.52	0.96
2018-19	35,918,207.63	336,306.94	0.94
2019-20	37,969,887.46	623,433.74	1.64
2020-21	39,917,769.89	460,083.74	1.15
2021-22	41,518,130.31	373,574.75	0.90
2022-23	44,530,617.18	458,296.51	1.03
	Secured <u>Tax Charge</u>⁽²⁾	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2015-16	\$8,456,191.34	\$79,238.80	0.94%
2016-17	8,958,633.68	83,352.64	0.93
2017-18	9,463,757.36	87,936.35	0.93
2018-19	10,007,266.18	90,921.23	0.91
2019-20	10,566,704.23	171,421.65	1.62
2020-21	11,111,092.71	127,834.33	1.15
2021-22	11,558,865.51	103,837.96	0.90
2022-23	12,392,828.63	126,884.16	1.02

Monterey County

	Secured <u>Tax Charge</u>⁽¹⁾	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2015-16	NA	NA	NA
2016-17	NA	NA	NA
2017-18	\$221,250.00	\$1,937.96	0.88%
2018-19	249,833.00	4,100.40	1.64
2019-20	1,064,549.00	15,597.80	1.47
2020-21	282,311.00	3,386.28	1.20
2021-22	292,173.00	4,944.22	1.69
2022-23	306,359.00	3,898.63	1.27
	Secured <u>Tax Charge</u>⁽²⁾	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2015-16	NA	NA	NA
2016-17	NA	NA	NA
2017-18	\$46,860.00	\$633.97	1.35%
2018-19	48,729.00	771.29	1.58
2019-20	50,473.00	1,489.70	2.95
2020-21	50,703.00	795.59	1.57
2021-22	53,312.00	1,518.92	2.85
2022-23	56,191.00	2,497.73	4.45

⁽¹⁾ Reflects levy for the 1% general fund apportionment.

⁽²⁾ Reflects levy for the District's general obligation bonded debt.

Source: *California Municipal Statistics, Inc.*

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

Alternative Method of Tax Apportionment – “Teeter Plan”

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Revenue and Taxation Code Section 4701 *et seq.*, each participating local agency levying property taxes, including community college districts, receives from the county or counties in which it is located the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the applicable county or counties receive(s) and retain(s) delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the applicable county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%. The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan is also applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The County has adopted the Teeter Plan, and, as adopted thereby, includes the general purpose secured property tax levy as well as the secured *ad valorem* property tax levy for the District's general obligation bonds. As a result, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). However, Monterey County has not adopted the Teeter Plan, and, consequently, the Teeter Plan is not available to local taxing entities within Monterey County, such as the District. The District's receipt of property taxes from those portions of Monterey County subject to taxation by the District, such as the receipt of property taxes for the Bonds, is therefore subject to delinquencies.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein. However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the Counties to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2023-24 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2023-24 San Luis Obispo County Community College District

	Property Owner	2023-24 Primary Land Use	% of Assessed Valuation	Total⁽¹⁾
1.	Jamestown Premier SLO Retail LP	Commercial	\$119,144,109	0.17%
2.	Pismo Beach Mobile Home Park	Mobile Home Park	109,909,780	0.16
3.	Firestone Walker LLC	Industrial – Brewery	107,312,938	0.16
4.	E & J Gallo Winery	Vineyards/Winery	102,667,094	0.15
5.	Cap VIII-Mustang Village LLC	Apartments	102,091,806	0.15
6.	Treasury Wine Estates Americas Co.	Vineyards/Winery	97,387,562	0.14
7.	Sierra Vista Hospital Inc.	Hospital	85,382,718	0.12
8.	Vespera Pismo Beach Holdings LLC	Hotel	81,449,200	0.12
9.	Charles Pasquini Jr. Trust	Shopping Center	77,661,686	0.11
10.	Blue Oak TIC Owner I LLC	Apartments	76,417,439	0.11
11.	Topaz Solar Farms LLC	Power Generation	74,355,750	0.11
12.	Phillips 66 Company	Oil & Gas	71,616,066	0.10
13.	Sphear Investments LLC	Shopping Center	67,393,335	0.10
14.	Justin Vineyards & Winery LLC	Vineyards/Winery	66,221,796	0.10
15.	John Stephenson Trust	Industrial and Agricultural	65,269,326	0.09
16.	PDOF Paso 120 LLC	Hotel	60,908,800	0.09
17.	Twin Cities Community Hospital Inc.	Hospital	56,977,527	0.08
18.	Vina Robles Inc.	Vineyards/Winery	55,562,024	0.08
19.	SLO Promenade DE LLC	Shopping Center	55,150,000	0.08
20.	Vintage at SLO Alderwood LLC	Apartments	<u>52,020,000</u>	<u>0.08</u>
			\$1,584,898,956	2.31%

⁽¹⁾ The fiscal year 2023-24 total secured assessed valuation of the District is \$68,756,944,496.

Source: California Municipal Statistics, Inc.

Tax Rates

Representative tax rate areas (each, a “TRA”) located within the District are TRAs 03-000, 06-002, and 01-000. The table below demonstrates the total *ad valorem* property tax rates levied as a percentage of assessed valuation by all taxing entities in these TRAs during the five-year period fiscal years from 2019-20 through 2023-24.

TYPICAL TOTAL TAX RATES Fiscal Years 2019-20 through 2023-24 San Luis Obispo County Community College District

<u>TRAs 03-000 and 06-002⁽¹⁾⁽²⁾</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
San Luis Coastal Unified School District	.04900	.03900	.03900	.03500	.08400
San Luis Obispo County CCD	.01925	.01925	.01925	.01925	.01925
State Water Project	<u>.00400</u>	<u>.00400</u>	<u>.00400</u>	<u>.00400</u>	<u>.00363</u>
Total All Property	1.07225%	1.06225%	1.06225%	1.05825%	1.10688%
 <u>TRA 01-000⁽³⁾</u>	 <u>2019-20</u>	 <u>2020-21</u>	 <u>2021-22</u>	 <u>2022-23</u>	 <u>2023-24</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
State Water Project	.00400	.00400	.00400	.00400	.00363
Lucia Mar Unified School District	.07234	.05749	.05878	.03950	.03500
San Luis Obispo County CCD	.01925	.01925	.01925	.01925	.01925
San Luis Obispo County Flood Zone 3	<u>.00489</u>	<u>.00600</u>	<u>.00600</u>	<u>.00600</u>	<u>.00600</u>
Total All Property	1.10048%	1.08674%	1.08803%	1.06875%	1.06388%

(1) The fiscal year 2023-24 assessed valuation of TRA 03-000 is \$7,530,970,103, representing 10.54% of the District’s total assessed valuation.

(2) The fiscal year 2023-24 assessed valuation of TRA 06-002 is \$3,192,936,077, representing 4.47% of the District’s total assessed valuation.

(3) The fiscal year 2023-24 assessed valuation of TRA 01-000 is \$2,685,956,812, representing 3.76% of the District’s total assessed valuation.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., effective as of December 1, 2023. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
San Luis Obispo County Community College District

2023-24 Assessed Valuation: \$71,467,273,759

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/23</u>
San Luis Obispo County Flood Control and Water Conservation District, Zone No. 3	100.000%	\$4,925,000
San Luis Obispo County Community College District	100.000	148,380,000⁽¹⁾
Atascadero Unified School District	100.000	93,804,692
Coast Unified School District and School Facilities Improvement District No. 1	100.000	3,729,903
Lucia Mar Unified School District	100.000	146,249,802
Paso Robles Joint Unified School District and School Facilities Improvement District No. 1	100.000	96,199,998
San Luis Coastal Unified School District	100.000	234,401,000
Shandon Joint Unified School District	100.000	6,615,000
Templeton Unified School District	100.000	31,495,000
Santa Maria Joint Union High School District and Santa Maria-Bonita Joint School District	0.002-0.003	4,668
Cayucos School District	100.000	7,695,000
San Miguel Joint Union School District	100.000	10,608,472
City of Grover Beach	100.000	33,550,000
City of Paso Robles	100.000	6,784,794
Monterey County Water Resources Agency Zone No. 2-C	0.403	72,117
City of San Luis Obispo Community Facilities District No. 2019-1	100.000	19,530,000
1915 Act Bonds	100.000	<u>87,212,787</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$931,258,233
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Monterey County General Fund Obligations	0.403%	\$445,854
Monterey County Office of Education Certificates of Participation	0.403	17,627
San Luis Obispo County Certificates of Participation	99.906	80,945,490
San Luis Obispo County Pension Obligation Bonds	99.906	22,738,929
Lucia Mar Unified School District Certificates of Participation	100.000	14,985,000
Other School District General Fund Obligations	0.002-0.003	624
City of Atascadero General Fund Obligations	100.000	15,631,613
City of San Luis Obispo General Fund Obligations	100.000	68,093,163
Other City General Fund Obligations	100.000	<u>16,861,204</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$219,719,504
Less: City of San Luis Obispo General Fund Obligations supported by parking fund		<u>4,260,750</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$215,458,754
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$22,650,000
GROSS COMBINED TOTAL DEBT		\$1,173,627,737 ⁽²⁾
NET COMBINED TOTAL DEBT		\$1,169,366,987

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$148,380,000)	0.21%
Total Overlapping Tax and Assessment Debt	1.30%
Gross Combined Total Debt.....	1.64%
Net Combined Total Debt	1.64%

Ratio to Redevelopment Incremental Valuation (\$2,480,060,168):

Total Overlapping Tax Increment Debt.....	0.91%
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⁽¹⁾ Excludes the Bonds as described herein.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem property tax levied by the Counties for the payment thereof. See “THE BONDS — Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Counties to levy taxes for payment of the Bonds. The tax levied by the Counties for payment of the Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the Counties to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for the payment of the Bonds falls within the exception described in (c) of the preceding sentence. In addition, Article XIII A requires the approval of two-thirds or

more of all members of the legislature of the State (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (“Proposition 19”), which amends Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the State Supreme Court have upheld the general validity of Article XIII A.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year

Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State’s education financing formulas. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues” herein.

Article XIII B of the California Constitution

Article XIII B (“Article XIII B”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, community college district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

- (a) “change in the cost of living” with respect to K-14 school districts to mean the percentage change in State per capita income from the preceding year, and
- (b) “change in population” with respect to a K-14 school district means the percentage change in the average daily attendance of such K-14 school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” below.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, State voters approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including K-14 school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the State Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special

taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the Counties pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, State voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of the State General Fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to

taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget.

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such district's minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into such districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also referred to as a "maintenance factor") to K-14 school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as Proposition 39) to the State Constitution. Proposition 39 is an initiated Constitutional amendment that (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property, such that property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the governing board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the governing board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary or high school district), or \$25 (for a community college district, such as the District), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to K-14 school districts, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to K-14 school districts or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for school districts and community college districts, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Proposition 55

The California Children’s Education and Health Care Protection Act of 2016 (also known as “Proposition 55”) is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See “– Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of average daily attendance and no community college district will receive less than \$100 per FTES. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund

borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changed the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the Minimum Funding Guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the Minimum Funding Guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the Minimum Funding Guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated Minimum Funding Guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated Minimum Funding Guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 98, 39, 22, 26, 30 and 55 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning State funding of community colleges is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem property tax required to be levied by the Counties in an amount sufficient for the payment thereof.

Major Revenues

General. State community college districts (other than community supported districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, lottery funds, and other minor sources. Every community college district receives the same amount of State lottery funds on a per-student basis (which is generally less than 3%), although lottery funds are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery requires the funds to be used for instructional purposes, and prohibits their use for capital purposes.

The major local revenue source is local property taxes that are collected from within district boundaries, with student enrollment fees accounting for the most of the remainder. A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations, educational foundation contributions and sales or leases of property.

The sum of property taxes, student enrollment fees, and State aid comprise a district's revenue limit. State funding is generally subject to the appropriation of funds in the State's annual budget. Thus, decreases in State revenues may affect appropriations made by the State Legislature to community college districts.

"Community supported" community college districts (formerly referred to "basic aid" districts) are those districts whose local property taxes, student enrollment fee collections, and EPA funds exceed the revenue allocation determined by the current State funding model. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 55" herein. Thus, community supported districts do not receive any general apportionment funding from the State. The current law in the State allows these districts to keep the excess funds without penalty. The implication for community supported districts is that the legislatively determined annual COLAs and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not a community supported district.

Enrollment Based Funding. State community college districts apportionments were previously funded pursuant to a system established by Senate Bill 361 ("SB 361"). SB 361 provided for a basic allocation (a "Basic Allocation") based on the number of colleges, state-approved education centers and total enrollment, together with funding based on per-student rates for credit FTES, non-credit FTES and career development and college preparation ("CDCP") non-credit FTES.

SB 361 specified that, commencing with the 2006-07 fiscal year the minimum funding per FTES would be: (a) not less than \$4,367 per credit FTES; (b) at a uniform rate of \$2,626 per non-credit FTES; and (c) \$3,092 per CDCP FTES. Although CDCP FTES were initially funded at a lower rate than credit FTES, subsequent legislation effective as of the 2015-16 fiscal year set the minimum funding for CDCP FTES at the same level as credit FTES. Each such minimum funding rate was subject to cost of living adjustments (each, a "COLA"), if any, funded through the State budgeting legislation in each fiscal year.

One unit of FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

In each fiscal year, the State budget established an enrollment cap on the maximum number of resident FTES, known as the “funded” FTES, for which a community college district would receive a revenue allocation. A district’s enrollment cap was based on the previous fiscal year’s reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap were considered “unfunded” FTES. Nonresident and international students are excluded from the State funding formula and pay full tuition.

Student Centered Funding Formula. Assembly Bill 1809 (“AB 1809”), the higher education trailer bill passed as part of the State budget for fiscal year 2018-19, implemented a new funding mechanism for community college districts referred to as the “Student Centered Funding Formula,” (the “SCFF”). The SCFF includes three components: (1) a base allocation (the “Base Allocation”) driven primarily by enrollment, (2) a supplemental allocation (the “Supplemental Allocation”) based on the number of certain types of low-income students, and (3) a student success allocation (the “Student Success Allocation”) calculated using various performance-based metrics.

The SCFF includes several provisions to provide districts greater financial stability in transitioning to the new formula: (i) for fiscal years 2018-19 through 2021-22, community college districts will receive no less in total apportionment funding than they received in 2017-18, adjusted for COLAs; (ii) for fiscal year 2022-23 and onward, districts will receive no less in apportionment funding per-student than they received in fiscal year 2017-18; and (iii) beginning in fiscal year 2018-19, districts will receive the greater of the amount calculated by the SCFF for the current or prior year (excluding amounts districts receive pursuant to the provision summarized in (i) above). In addition, State budgetary legislation has extended the hold harmless provision of the SCFF through fiscal year 2024-25. See also “—State Assistance” herein.

State budgetary legislation has extended the hold harmless provisions of the SCFF through fiscal year 2024-25. In addition, Assembly Bill 183, the higher education budgetary trailer bill for fiscal year 2022-23, extended revenue protections for community college districts in a modified form, with the goal of avoiding sharp fiscal declines and supporting a smooth transition to the SCFF over time. Specifically, beginning in fiscal year 2025-26, a community college district will receive the greater of (i) the funding allocation calculated by the SCFF, or (ii) an amount equal to its fiscal year 2024-25 general purpose apportionment, the latter of which will represent a floor below which such district’s funding cannot drop. This revised hold harmless provision does not include adjustments to reflect cumulative COLAs over time, so a district’s hold harmless amount will not grow.

Base Allocation. The Base Allocation is composed of (1) the Basic Allocation, determined consistent with the prior funding formula (see “—Enrollment Based Funding”), and (2) funding for credit, non-credit and CDCP FTES. The Base Allocation was expected to constitute approximately 70% of Statewide funding for community college districts in fiscal year 2018-19, 65% in fiscal year 2019-20 and 60% in fiscal years 2020-21 and onward.

The SCFF provided a minimum funding level for credit FTES of \$3,727 for fiscal year 2018-19. For fiscal year 2019-20, the State budget for that year recalculated funding rates in the Base, Supplemental and Student Success Allocations so that 70% of SCFF funds would be allocated to the base allocation. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations (as further described herein) may vary by district. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts that were entitled to higher funding rates under the prior funding formula. Future

provisions of COLAs and other adjustments will be subject to appropriation therefor in the annual State budget. Total funding for credit FTES will be based on a rolling three-year average of the funded credit FTES from the current fiscal year and the two immediately preceding fiscal years. Credit FTES associated with enrollment growth proposed in the annual budget act are excluded from the three-year average and will instead be added to the computed three-year rolling average. In computing the three-year average, credit FTES generated by incarcerated and special admit students is excluded and funded consistent with the prior funding formula.

Funding levels for non-credit and CDCP FTES are determined consistent with the prior funding formula. See “—Enrollment Based Funding” herein. Total funding for these categories will be based on actual non-credit and CDCP FTES for the most recent fiscal year.

The following table shows the District’s FTES figures for the last 10 fiscal years, along with the budgeted figures for fiscal year 2023-24.

RESIDENT FULL TIME EQUIVALENT STUDENTS⁽¹⁾
Fiscal Years 2014-15 through 2023-24
San Luis Obispo County Community College District

<u>Year</u>	<u>Funded FTES⁽²⁾</u>	<u>Actual FTES</u>
2014-15	8,380	7,075
2015-16	8,320	8,320
2016-17	8,320	7,128
2017-18	8,432	8,432
2018-19 ⁽³⁾	8,155	7,921
2019-20 ⁽⁴⁾	8,090	8,090
2020-21	8,090 ⁽⁴⁾	7,108
2021-22	8,090 ⁽⁴⁾	6,880
2022-23	8,090 ⁽⁴⁾	7,033
2023-24 ⁽⁵⁾	7,915	7,168

⁽¹⁾ One FTES is equivalent to 525 student contract hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

⁽²⁾ In allocating per-student funding each year, the State budget establishes an enrollment limit (the “Cap”), on the maximum number of FTES for which each district will be funded (the “Funded FTES”). Each community college district’s Cap is based on the previous year’s reported FTES, plus an additional growth allowance. The excess of FTES over Cap is the unfunded FTES (the “Unfunded FTES”).

⁽³⁾ Fiscal year 2018-19 new SCFF implemented, which pays 3 year average credit FTES. See also, “— Student Centered Funding Formula” herein.

⁽⁴⁾ Due to COVID-19, the District FTES will be calculated based on fiscal year 2019-20 first principal apportionment calculations for FTES through fiscal year 2024-25.

⁽⁵⁾ Budgeted.

Source: San Luis Obispo County Community College District.

Supplemental Allocation. The Supplemental Allocation, accounting for approximately 20% of Statewide funding, will be distributed to districts based on their headcounts of students that receive Federal Pell Grants, a student who is granted an exemption from nonresident tuition pursuant to Education Code Section 68130.5 (AB 540), and student fee waivers under Education Code Section 76300 (California College Promise Grant). The SCFF provided \$919 per qualifying student for fiscal year 2018-19. Headcounts are not unduplicated, such that districts will receive twice or three times as much supplemental funding for a student that falls into more than one of the aforementioned categories. Beginning in fiscal year 2019-20, the 2019-20 State budget recalculated funding rates for supplemental allocation so that in 2019-20, 20% of the SCFF funds would be allocated for the supplemental allocation. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations may vary by district.

Student Success Allocation. The Student Success Allocation will be distributed to districts based on their performance in various student outcome metrics, including obtaining various degrees and certificates, completing transfer-level math and English courses within a student's first year, and having students obtain a regional living wage within a year of completing community college. Each metric is assigned a point value, with some metrics weighted more than others. A single student outcome with more points will generate more funding. Outcome metrics for students that qualify for Federal Pell Grants and California College Promise Grants are eligible for additional funding. The student success allocation counts only the highest of all awards a student earned in the same year and will only count the award if the student was enrolled in the district in the year the award was granted. The student success allocation will also calculate based on the three-year rolling average of each metric. Outcome metrics for students that qualify for Federal Pell Grants, AB 540 and California College Promise Grants are eligible for additional funding. The Student Success Allocation accounted for 10% of statewide funding for community college districts in fiscal years 2018-19 and 2019-20. Since fiscal year 2020-21, funding rates have been adjusted for COLAs provided by State budgetary legislation, and the distribution of funds across the three SCFF allocations may vary by district.

Considerations Regarding COVID-19

General. An outbreak of disease or similar public health threat, such as the coronavirus ("COVID-19") pandemic, or fear of such an event, could have an adverse impact on the District's financial condition and operating results.

The spread of COVID-19 had significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency were declared by the State and the United States. The purpose behind these declarations was to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for the then-expected wider spread of the virus.

To date there have been millions of confirmed cases in the United States, and over one million deaths related to COVID-19. Although vaccines and vaccine boosters are currently widely available, no representation can be made as to whether the number of cases will continue to grow. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and significant increases in inflation as these restrictions and closures have been lifted. Stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

Federal Response. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed by the President of the United States. The CARES Act appropriated over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. On December 27, 2020, the President of the United States signed the Coronavirus Relief and Response Supplemental Appropriations Act, 2021 ("CRRSA"), which included approximately \$900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The CRRSA provided approximately \$82 billion of COVID-19 related relief for education, including \$54.3 billion for K-12 schools (largely through Title I funding), \$22.7 billion for higher education and \$4 billion for state governors to spend at their discretion. On March 12, 2021, the President signed the American Rescue Plan Act of 2021 (the "American Rescue Plan"), which provides approximately \$1.9 trillion in

federal economic stimulus intended to accelerate the recovery from the COVID-19 pandemic. The American Rescue Plan provides direct payments to individuals, extends unemployment benefits, provides funding to distribute COVID-19 vaccines and provides funding for schools, higher education institutions, state, tribal governments and businesses. On January 30, 2023, the Office of the President announced its intent to end the national emergency and public health emergency declarations on May 11, 2023, which occurred as announced.

State Response. On March 17, 2020, the Governor signed Senate Bill 89 (“SB 89”), which amended the Budget Act of 2019 by appropriating \$500,000,000 from the State General Fund for any purpose related to executing the emergency proclamation issued by the Governor on March 4, 2020.

During certain emergency conditions, state regulations provide that a community college district may be provided an “emergency conditions allowance,” calculated to approximate the same general purpose apportionment that such district would have received in absence of the emergency. Emergency conditions are defined to include epidemics, an order from a city or county board of health or the State Board of Health, or another emergency declared by the State or federal government. Districts are required to demonstrate that the occurrence of the emergency condition prevented the district from maintaining its schools during a fiscal year for a period of 175 days, or caused the district’s general purpose apportionment to be materially decreased in that year or in subsequent years. To receive the emergency conditions allowance, a district must demonstrate to the satisfaction of the Chancellor that the district made good faith efforts to avoid material decreases in general purposes apportionments. Community college districts may also seek a waiver of the 175-day requirement. Finally, the Board of Governors of the California Community Colleges (the “Board of Governors”), on March 16, 2020, granted the Chancellor temporary emergency powers to suspend or waive State regulatory requirements and local rules and regulations that present barriers to the continuity of educational services. This temporary grant is in addition to standing emergency powers of the Chancellor to hold community college districts financially harmless in the wake of campus closures. On February 28, 2023, the Governor issued a proclamation terminating the State’s COVID-19 state of emergency.

District Response. In response to the COVID-19 outbreak, the District delivered its classes and student services remotely for the fall and spring terms for the 2020-21 academic year, except for select lab and studio classes which maintained some hands-on curriculum delivered in-person. The District starting transitioning classes back to in-person instruction in 2021-22 and has increased the number of in-person classes each year. In 2023-24, about 60% of classes are in-person. This District will continue to assess student demand and adjust the ratio of remote to in-person classes as needed.

The District has been awarded a total of \$33,890,000 in COVID-19-related federal and State funding, including (i) \$27.6 million in CARES Act funding through the Higher Education Emergency Relief Fund (HEERF) and (ii) \$6.3 million in federal and state block grants. The District has expended approximately \$28.5 million of such funding, including \$13.7 million to students in the form of emergency financial aid grants. The District can make no representation whether the District can expend the remainder of funds prior to any applicable grant expiration dates.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could

materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See "SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT — Retirement Programs" herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the effectiveness of available vaccines in containing the spread or mutation of the virus, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to the Governor's office (<http://www.gov.ca.gov>) and the California Department of Public Health (<http://covid19.ca.gov/>). The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.

Budget Procedures

On or before September 15, the Board of the District is required under California Code of Regulations Section 58305, to adopt a balanced budget. Each September, every State agency, including the State Chancellor's Office of the California Community Colleges (the "Chancellor's Office") submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the Governor, and by January 10 a proposed State budget is presented by the Governor to the State Legislature. The Governor's State budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May of each year, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she can support. The law requires the State Legislature to submit its approved budget by June 15, and by June 30 the Governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the Board of Governors and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of the State's community college districts. In accordance with statutory and regulatory provisions, the State Chancellor has been given the responsibility to identify community college districts at risk and, when necessary, the authority to intervene in the management of a community college district to bring about improvement in such district's financial condition. To stabilize such a district's financial condition, the State Chancellor may, as a last resort, seek an appropriation from the State for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the State Chancellor will pay special attention to each district's general fund balance, spending pattern, and FTES patterns. Those districts with greater financial difficulty will receive follow-up visits from the State Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

See “SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT – General Fund Budgeting” herein for more information regarding the District’s recent budgets.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, State voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 school district funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added Test 3 to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in the State’s per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is the 1989-90 fiscal year. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount under Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40%. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth (i.e. FTES) and per-capita personal income COLA.

Test 3, established pursuant to Proposition 111, provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of 1% of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This

maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

State Assistance

State community college districts' principal funding formulas and revenue sources are derived from the State budget. The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, neither the District, nor the Underwriter guarantee the accuracy or completeness of this information and neither the District, nor the Underwriter have independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the Counties in an amount sufficient for the payment thereof.

2023-24 State Budget. On June 27, 2023, the Governor signed the State budget for fiscal year 2023-24 (the "2023-24 Budget"). The following information is drawn from the DOF and LAO summaries of the 2023-24 Budget.

The 2023-24 Budget reported that, after two years of growth, the State was projected to face a downturn in revenues driven by a declining stock market, persistently high inflation, rising interest rates and job losses in high-wage sectors. The 2023-24 Budget forecast that the State would face a \$31.7 billion shortfall in fiscal year 2023-24. In its summary of the 2023-24 Budget, the LAO calculated the State's budget shortfall to be lower, at \$26.5 billion, and resulted from the administration including in its calculation the cost of some policies that had not yet been adopted by the State legislature.

To close the budget gap, the 2023-24 Budget included a series of measures intended to avoid deep reductions to priority programs that marked budgetary shortfalls over the past two decades:

- *Fund Shifts* – \$9.3 billion in shifts of spending commitments from the State general fund to other sources.
- *Reductions/Pullbacks* – \$8.1 billion in State general fund spending reductions or pullbacks of previously approved spending.
- *Delays* – \$7.9 billion in delayed spending across multiple years, without reducing the amount of funding over the same period.
- *Revenue and Internal Borrowing* – \$6.1 billion in revenue, primarily from the Managed Care Organization tax, and internal borrowing from special fund balances not projected for programmatic purposes.
- *Trigger Reductions* – \$340 million in reductions that will be restored in the proposed State budget for fiscal year 2024-25 if there are sufficient resources to do so.

For fiscal year 2022-23, the 2023-24 Budget projected total general fund revenues and transfers of \$205.1 billion and authorized expenditures of \$234.6 billion. The State was projected to end the 2022-23

fiscal year with total reserves of \$54.2 billion, including \$21.1 billion in the traditional general fund reserve, \$22.3 billion in the BSA, \$9.9 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2023-24, the 2023-24 Budget projected total general fund revenues and transfers of \$208.7 billion and authorized expenditures of \$225.9 billion. The State was projected to end the 2023-24 fiscal year with total reserves of \$37.8 billion, including \$3.8 billion in the traditional general fund reserve, \$22.3 billion in the BSA, \$10.8 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. The 2023-24 Budget indicated that maintaining this level of reserves provided a prudent insurance policy, as the State continued to face revenue risks and uncertainty. Significantly, prolonged storm activity over the winter caused a tax filing delay affecting over 99% of tax filers in 55 of the State's 58 counties. This delay pushed the projected receipt of \$42 billion in State tax receipts into October, representing nearly one-fourth of the 2022-23 fiscal year's total projected personal income taxes, and nearly one third of the corporation tax.

The ending balance in the BSA was at the constitutional maximum amount, requiring any amounts in excess thereof to be dedicated to infrastructure improvements. The 2023-24 Budget also included revised deposits to the PSSSA of \$4.8 billion and \$1.8 billion attributable to fiscal years 2021-22 and 2022-23, respectively, and authorized a deposit in fiscal year 2023-24 of \$902 million. The balance of \$9.9 billion in the PSSSA in fiscal year 2022-23 triggered school district reserve caps in fiscal year 2023-24. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The 2023-24 Budget set total funding for all K-12 education programs at \$129.2 billion, including \$79.5 billion from the State general fund and \$49.7 billion from other sources. The minimum funding guarantee in fiscal year 2023-24 was set at \$108.3 billion, including \$77.5 billion from the State general fund. The 2023-24 Budget also made retroactive increases to the minimum funding guarantee in fiscal years 2021-22 and 2022-23, setting them at \$110.6 billion and \$107.4 billion, respectively. Test 1 was projected to be in effect over this three year period. For fiscal year 2023-24, the minimum funding guarantee increased by \$952 million (or 0.90%) relative to the revised 2022-23 level, and resulted from projected increases in property tax revenues that offset declines associated with lower State general fund revenue estimates. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2023-24 Budget rebenchmarked the Test 1 percentage, from approximately 38.2% to 38.5%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee.

Other significant features relating to community college funding include the following:

- *General Apportionments:* An increase of \$678 million in ongoing Proposition 98 funding to provide a 8.22% COLA for apportionments, and an increase of \$26.4 million in ongoing Proposition 98 funding to sustain 0.50% enrollment growth. The LAO noted that the 2023-24 Budget uses \$290 million in one-time, prior-year Proposition 98 funding to support SCFF costs for fiscal year 2023-24. The LAO noted that this created a structural gap, in that using one-time funds to cover ongoing costs would create a deficit in the Proposition 98 budget the following year.
- *Categorical Programs:* \$112.5 million in ongoing Proposition 98 funding to provide an 8.22% COLA to select categorical programs and the State adult education program.
- *Flexible Block Grant:* The 2023-24 Budget reflected statutory changes to consolidate funding provided in fiscal year 2022-23 for deferred maintenance, retention and enrollment and a COVID-19 response block grant to create a flexible block grant that can be spent on any of these purposes. In addition, the 2023-24 Budget decreased one-time Proposition 98 funding for these programs by approximately \$500 million.

- *Nursing Programs:* An increase of \$60 million in one-time Proposition 98 funding, for five years starting in fiscal year 2024-25, to expand nursing programs and bachelor of science nursing partnerships to develop, educate and maintain the next generation of registered nurses. The implementation of this program was subject to future legislation.
- *Student Success:* The 2023-24 Budget authorized a specific award of the Student Success Completion Grant of \$5,250 per semester for specified current and former foster youth at community colleges, to cover these students' total cost of attendance. The 2023-24 Budget also reflected a decreased of \$50 million in one-time Proposition 98 funding to reflect revised program participation estimates, bringing cumulative support for this program to approximately \$362.6 million.
- *Student Housing:* The 2023-24 Budget reduced approximately \$1.1 billion in current and planned State general fund support for affordable student housing grants. The 2023-24 Budget also reflected an increase of \$78.5 million in ongoing State general fund support for student housing projects.

For additional information regarding the 2023-24 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such website is not incorporated herein by any reference.

LAO Fiscal Outlook. On December 7, 2023, the LAO issued its Fiscal Outlook report (the “Fiscal Outlook”), an annual publication released in anticipation of State budgetary discussions that lead to the January release of the Governor’s proposed State budget. The Fiscal Outlook provides the LAO’s independent estimates and analysis of the State’s budgetary condition.

In the Fiscal Outlook, the LAO reports that the State entered an economic downturn in 2022, precipitated by federal efforts to cool the U.S. economy by making borrowing more expensive and reducing the amount of money available for investment. The Fiscal Outlook notes that there have been signs of revenue weakness over the past year that came into full focus with the arrival of postponed tax collections. The LAO estimates that State revenue collections could come in \$58 billion below the levels assumed by the 2023-24 Budget across the three year budgetary window (2022-23 through 2024-25), with approximately half of the difference (\$26 billion) attributable to fiscal year 2022-23.

Under the LAO’s revenue outlook, across the three year budgetary window, the Proposition 98 minimum funding guarantee is \$18.8 billion lower than the estimates included in the 2023-24 Budget. This reduction includes \$9.6 billion in fiscal year 2022-23, \$6.3 billion in fiscal year 2023-24 and \$3.5 billion in fiscal year 2024-25. Although the minimum funding guarantee is down, most school spending is not automatically adjusted. The automatic reduction in school spending over this period is only \$4.3 billion, most of which relates to the automatic elimination of required deposits to the PSSSA. Under the LAO’s baseline assumptions, the State would provide approximately \$11.9 billion in funding to K-14 school districts above the minimum funding guarantee in fiscal years 2022-23 and 2023-24. The State could choose to reduce previously approved spending, which historically has taken the form of across-the-board reductions to per-pupil allocations and payment deferrals. The LAO notes that decisions about whether to reduce funding could significantly impact the minimum funding guarantee in fiscal year 2024-25. Under the LAO’s outlook, and without special action by the Legislature, the reductions in the minimum funding guarantee would require the State to withdraw the entire current PSSSA balance (\$8.1 billion) in fiscal years 2023-24 and 2024-25. Alternatively, the State could elect to withdraw up to \$7.7 billion of those funds preemptively to cover costs that exceed the minimum funding guarantee in fiscal year 2022-23. This approach would require the Governor to declare a budgetary emergency.

Proposed 2024-25 State Budget. On January 10, 2024, the Governor released his proposed State budget for fiscal year 2024-25 (the “Proposed 2024-25 Budget”). The following is drawn from the DOF and LAO summaries of the Proposed 2024-25 Budget.

The Proposed 2024-25 Budget reports that the State is facing a budgetary shortfall in 2024 of approximately \$37.9 billion. The shortfall is rooted in two separate but related developments that have occurred over the past two fiscal years—a substantial decline in the stock market that drove down revenues and an unprecedented delay in critical income tax collections. The Proposed 2024-25 Budget indicates that, typically, the bulk of cash data relating to the prior tax year is available by April, leading to a revised May budget informed by actual cash collections. In calendar year 2023, due to federal and state income tax deadline delays resulting from several winter storms, the majority of the State’s revenues did not arrive until October and November. As a result, the corrections that would have been necessary to account for the decline in State revenues that would have normally come as part of last year’s May revision are instead being made in the Proposed 2024-25 Budget.

The Proposed 2024-25 Budget also includes multiyear projections of revenues and spending. Under the administration’s projections, the State faces operating deficits in 2025-26 through 2027-28 of \$37 billion, \$30 billion and \$28 billion, respectively. The LAO notes that although these deficits are smaller than the one projected for 2024-25, the State will have fewer options—such as one-time spending and draws on reserves—which could necessitate ongoing spending cuts or revenue increases.

The Proposed 2024-25 Budget includes a series of measures intended to close the projected shortfall, including:

- *Reserve Draws* – \$13.1 billion of draws on existing State reserves, including \$12.2 billion in total draws from the BSA, and \$900 million from the Safety Net Reserve. The Proposed 2024-25 Budget also authorizes a draw from the PSSSA to support ongoing LCFF costs in fiscal years 2023-24 and 2024-25 (as further described below).
- *Spending Reductions* – \$8.5 billion of reductions to a variety of State programs, including to (i) climate change programs, (ii) various housing programs, (iii) the School Facilities Aid program, (iv) the Student Housing Revolving Loan Fund Program, and (v) a reduction in vacant State administrative positions.
- *Revenue/Internal Borrowing* – \$5.7 billion in support from revenue sources and borrowing from special funds, including an increase to the Managed Care Organization Tax to support the Medi-Cal program and conforming to the Tax Cuts and Jobs Act Net Operating Loss Limitation.
- *Funding Delays* – \$5.1 billion of delays in funding to multiple programs, spread over a three-year period beginning in fiscal year 2025-26, without reducing the total amount of funding, including to (i) the Transfer and Intercity Rail Capital Program, (ii) rate reform for disability service providers, (iii) the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program, (iv) the Clean Energy Reliability Investment Plan, (v) Behavioral Health Bridge Housing Program and (vi) the Vulnerable Community Toxic Clean Up program.
- *Fund Shifts* – \$3.4 billion in shifts of certain expenditures from the State general fund to other funds, including to the Greenhouse Gas Reduction Fund, the Proposition 2 Debt Repayment Fund and the Unemployment Insurance Interest Payment fund.

- *Deferrals* – \$2.1 billion in deferrals of specific obligations to the 2025-26 fiscal year, including a June-to-July payroll deferral and deferrals to the University of California and California State University Systems.

For fiscal year 2023-24, the Proposed 2024-25 Budget projects total general fund revenues and transfers of \$196.9 billion and authorizes expenditures of \$230.9 billion. The State is projected to end the 2023-24 fiscal year with total reserves of \$29.7 billion, including \$23.1 billion in the BSA, \$5.7 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. The Proposed 2024-25 Budget also projects a deficit balance in the traditional general fund reserve of \$2.5 billion. For fiscal year 2024-25, the Proposed 2024-25 Budget projects total general fund revenues and transfers of \$214.7 billion and authorizes expenditures of \$208.7 billion. The State is projected to end the 2024-25 fiscal year with total reserves of \$18.4 billion, including \$3.4 billion in the traditional general fund reserve, \$11.1 billion in the BSA, and \$3.9 billion in the PSSSA. The Safety Net Reserve is projected to have a zero balance.

The Proposed 2024-25 Budget sets total funding for all K-12 education programs at \$126.8 billion, including \$76.4 billion from the State general fund and \$50.4 billion from other sources. K-12 per-pupil funding totals \$23,519, including \$17,653 from Proposition 98 sources. The minimum funding guarantee in fiscal year 2024-25 is set at \$109.1 billion. The Proposed 2024-25 Budget also makes retroactive decreases to the minimum funding guarantee in fiscal years 2022-23 and 2023-24, setting them at \$98.3 billion and \$105.6 billion, respectively. These revised Proposition 98 levels represent a decrease of approximately \$11.3 billion over the three-year period relative to the levels set in the 2023-24 Budget. Recognizing that the delay in the tax filing deadline to November 2023 impacted State revenue projections for 2022-23 available at the time the 2023-24 Budget was enacted, the Proposed 2024-25 Budget proposes statutory changes to address roughly \$8 billion of this decrease to avoid impacting existing budgets for local educational agencies.

Test 1 is projected to be in effect over the three-year period of 2022-23 through 2024-25. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Proposed 2024-25 Budget re-benchmarks the Test 1 percentage, from approximately 38.6% to 39.5%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee.

Other significant features relating to community college funding include the following:

- *General Apportionments*: An increase of \$69.1 million in ongoing Proposition 98 funding to provide a 0.76% COLA for apportionments, and \$29.6 million in ongoing Proposition 98 funding to sustain 0.50% enrollment growth. The Proposed 2024-25 Budget supports this level in part by authorizing withdrawals from the PSSSA for community college funding of \$235.9 million in fiscal year 2023-24 and \$486.2 million in fiscal year 2024-25.
- *Categorical Programs*: An increase of \$9.3 million in ongoing Proposition 98 funding to provide a 0.76% COLA for select categorical programs and the State adult education program.
- *Nursing Programs*: An increase of \$60 million in one-time Proposition 98 funding to expand nursing programs and bachelor of science nursing partnerships.
- *Student Housing*: To address the projected budget shortfall, the Proposed 2024-25 Budget suspends funding for the State Student Housing Revolving Loan Fund Program, which includes pulling back \$300 million in one-time Proposition 98 funding previously intended to be appropriated in fiscal years 2024-25 through 2028-29, and reverting \$194 million of one-time Proposition 98 funding that was appropriated in fiscal year 2023-24.

For additional information regarding the Proposed 2024-25 Budget, see the DOF and LAO websites www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by any reference.

Future Actions and Events. The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District’s finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the revenues generated by an ad valorem property tax required to be levied by the Counties in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

General Information

The District was established in 1963 and provides educational services to residents of the County and Monterey County. The District operates a single college, Cuesta College, which is currently fully accredited by the ACCJC. Cuesta College’s main campus is located along State Highway 1, just outside the City of San Luis Obispo. The District also operates the North County Center in the City of Paso Robles and offers evening classes at Arroyo Grande High School in Arroyo Grande, California.

For fiscal year 2023-24, taxable property within the District has an assessed valuation of \$71,467,273,759, and the District’s projected actual full-time equivalent student (“FTES”) count is 7,168 students.

Administration

The District is governed by a five-member Board, each member of which is elected to a four-year term by voters within five trustee areas. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their office and the date their term expires, are listed below:

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Debra Stakes	President	November 2024
Ms. Danna Stroud	Vice President	November 2024
Mr. Patrick Mullen	Trustee	November 2026
Ms. Mary Strobridge	Trustee	November 2024
Mr. Pete Sysak	Trustee	November 2026

The Superintendent/President of the District is appointed by the Board and reports to the Board. The Superintendent/President is responsible for management of the District's day-to-day operations and supervises the work of other key administrators. Dr. Jill Stearns is the District's current Superintendent/President.

Brief biographies of key administrative personnel follow:

Dr. Jill Stearns, Superintendent/President. Dr. Stearns was selected as Superintendent/President of the District in April of 2018. Prior to serving the District, she served as President of Modesto Junior College from 2012 through 2018. Dr. Stearns' other prior positions include serving as Vice President of Educational Services, Interim Associate Dean of Student Learning Outcomes and Director of Financial Aid at West Hills College. Dr. Stearns also spent three years in the classroom as a teacher at Avenal High School. Dr. Stearns earned her Bachelor of Arts degree in business administration from the California Polytechnic State University, a Master of Arts degree in instructional technology from National University, and a doctorate degree in education/community college leadership from Walden University.

Dan Troy, Assistant Superintendent/Vice President, Administration. Mr. Troy was appointed the Assistant Superintendent/Vice President, Administrative Services for the District in April of 2016. Previously, he served the California Community College Chancellor's Office as the Vice Chancellor, College Finance and Facilities Planning for approximately five years. Mr. Troy's prior experience also includes serving as a consultant to the California State Senate and as a budget analyst for the California Department of Finance. Mr. Troy received his Master in Public Policy degree from Georgetown University and a Bachelor of Arts degree in English from Dickinson College.

Chris Green, Director, Fiscal Services. Mr. Green was appointed Director of Fiscal Services effective June 1, 2007. Previously, Mr. Green held the positions of Lead Accountant and Reporting Accountant at the District. Prior to joining the District, Mr. Green worked in the accounts payable office of the Cal Poly Foundation for two years. Mr. Green earned a Bachelor of Science degree in Business Administration from California Polytechnic State University, San Luis Obispo, and a Master in Accounting degree from Southern New Hampshire University.

Labor Relations

The District currently employs 122 full-time certificated professionals, 214 full-time classified employees, and 43 managerial employees. In addition, the District employs 289 part-time faculty and 14 part-time staff. These employees, except supervisors, management and some part-time employees, are represented by two bargaining units as noted below:

BARGAINING UNITS San Luis Obispo County Community College District

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Cuesta College Federation of Teachers, AFT Local 4909	411	June 30, 2025
Cuesta College Classified United Employees, AFT Local 4606	214	June 30, 2025

Source: San Luis Obispo County Community College District.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the California State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. Previously, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program increased significantly prior to the implementation of AB 1469 (defined below). In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES STRS (Defined Benefit Program)

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members ("PEPRA Members") hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees ("Classic Members") hired before the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate was

10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2023, the contribution rate will be 10.250% for Classic Members and 10.205% for PEPRA Members.

Pursuant to AB 1469, K-14 school districts' contribution rate increased over a seven-year phase-in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal year 2022-23 and is 19.1% in fiscal year 2023-24.

The District's contributions to STRS were \$4,068,950 in fiscal year 2018-19, \$3,301,008 in fiscal year 2019-20, \$2,639,130 in fiscal year 2020-21, \$3,657,568 in fiscal year 2021-22 and \$4,207,950 in fiscal year 2022-23. The District has budgeted \$4,709,421 as its contribution to STRS for fiscal year 2023-24.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2023-24. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the California Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2022 included 1,601 public agencies and 1,335 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Pursuant to SB 90, the State Legislature appropriated \$904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 ("AB 84"). Under AB 84, \$144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State's required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, \$430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and \$330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.91% for fiscal year 2021-22. The employer contribution rate was 25.37% in fiscal year 2022-23 and is 26.68% in fiscal year 2023-24. Classic Members contribute at a rate established by statute, which is 7% in fiscal year 2023-24, while PEPRA Members contribute at an actuarially determined rate, which was 8% in fiscal year 2023-24. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$2,974,013 in fiscal year 2018-19, \$3,355,887 in fiscal year 2019-20, \$3,360,802 in fiscal year 2020-21, \$3,748,333 in fiscal year 2021-22 and \$4,512,416 in fiscal year 2022-23. The District has budgeted \$4,208,789 as its contribution to PERS for fiscal year 2023-24.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

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FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2012-13 through 2021-22

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	Value of Trust Assets (MVA)⁽²⁾	Unfunded Liability (MVA)⁽²⁾	Value of Trust Assets (AVA)⁽³⁾	Unfunded Liability (AVA)⁽³⁾
2012-13	\$222,281	\$157,176	\$74,374	\$148,614	\$73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)⁽³⁾	Unfunded Liability (AVA)⁽³⁾
2012-13	\$61,487	\$49,482	\$12,005	\$56,250	\$5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾
2017-18	92,071	64,846	27,225	-- ⁽⁴⁾	-- ⁽⁴⁾
2018-19 ⁽⁵⁾	99,528	68,177	31,351	-- ⁽⁴⁾	-- ⁽⁴⁾
2019-20 ⁽⁶⁾	104,062	71,400	32,662	-- ⁽⁴⁾	-- ⁽⁴⁾
2020-21	110,507	86,519	23,988	-- ⁽⁴⁾	-- ⁽⁴⁾
2021-22	116,982	79,386	37,596	-- ⁽⁴⁾	-- ⁽⁴⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

⁽³⁾ Reflects actuarial value of assets.

⁽⁴⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

⁽⁵⁾ For the fiscal year 2020-21 actuarially determined contribution, the additional \$430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

⁽⁶⁾ For the fiscal year 2021-22 actuarially required contribution, the impact of the additional \$330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the “2017 Experience Analysis”), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both Classic Members and PEPPRA Members to better reflect the anticipated impact of years of service on retirements. The 2022 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2022 (the “2022 STRS Actuarial Valuation”) reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately \$1.17 billion since the 2021 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 74.4% over such time period, despite a negative investment return in 2021-22. The main reason for the increase in the funded ratio was the recognition of the deferred investment gains from prior years, primarily an investment gain of 27.2% in 2020-21, which has been partially offset by the impact of the less-than-assumed investment return for the most recently completed fiscal year (2021-22). For actuarial purposes, the STRS Board has approved the use of an actuarial value of assets, which smooths the volatility of investment returns by reflecting only one-third of the net accumulated investment gains or losses in a year. The investment gains that were set aside in the 2021 STRS Actuarial Valuation were more than sufficient to cover the full impact of the negative investment return in 2021-22. Another reason for the improved funding levels and decrease in unfunded actuarial obligation were the additional supplemental payments made by the State in 2021-22 (\$584 million in 2021-22 above what was required by the contribution rate adopted by the STRS Board). Using the Fair Market Value of Assets, the funded ratio has decreased by 6.7% since 2021 Actuarial Valuation from 81.9% to 75.2%, primarily due to the actual market returns for the 2021-22 fiscal year being less than the assumed investment return of 7%. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the “Unallocated UAO”). There was a decrease in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from \$469 million as of June 30, 2021 to \$359 million as of June 30, 2022.

According to the 2022 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 100.3%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation

assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In its Annual Comprehensive Financial Report for fiscal year ending June 30, 2022, STRS reported a money weighted net return on investment of negative 2.4% and time-weighted net return on investments of negative 1.3% for fiscal year 2021-22, ending with the total fund value of \$301.6 billion as of June 30, 2022. When STRS released the preliminary investment return for fiscal year 2021-22 on July 29, 2022, STRS noted that it is the first negative return since 2009, reflecting the ongoing volatility in the global financial markets impacted by inflation, rising interest rates, COVID-19 and the war in Ukraine. Due in part to the 27.2% return in fiscal year 2020-21, STRS projected in the Annual Comprehensive Financial Report that it remains in position to be fully funded by 2046.

On November 2, 2022, STRS released its 2022 Review of Funding Levels and Risks (the “STRS 2022 Review of Funding Levels and Risks”), which is based on the 2021 STRS Actuarial Valuation and reflects all relevant changes that have occurred since 2021 STRS Actuarial Valuation, including the negative 2.4% money-weighted investment loss reported for the 2021-22 fiscal year. The key results and findings noted in the STRS 2022 Review of Funding Levels and Risks were that (i) the State’s share of the STRS unfunded actuarial obligation is still projected to be eliminated prior to 2046 (currently projected to be eliminated by fiscal year 2029-30), but not as early as projected in the June 30, 2021 valuation, (ii) the current contribution rates for the State and employers are projected to be sufficient to eliminate their share of the STRS unfunded actuarial obligation by 2046 and contribution rate increases are not expected to be needed for fiscal year 2023-24, (iii) the largest risk facing STRS’ ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system’s sensitivity to investment experience, and the State’s share of the unfunded actuarial obligation could quickly increase if STRS were to experience another year in which the investment return is significantly below the assumed rate of return, (iv) anticipated continued decreases in enrollment in K-12 public schools could lead to future declines in the size of the active membership, resulting in lower than anticipated payroll growth, which could negatively impact STRS’ ability to achieve full funding, requiring contribution rate increases, especially among employers, (v) a recession resulting in a period of low investment returns and a decline in the size of the active membership could hurt STRS ability to reach full funding, and (vi) the ability of the funding plan to allow STRS to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term, while uncertainty around inflation, investment markets and payroll growth could put pressure on STRS’ ability to meet some of its long-term actuarial assumptions. In addition, with respect to investment related risks, the STRS 2022 Review of Funding Levels and Risks notes that once the State’s supplemental contribution rate is reduced to zero (as discussed above), if it were ever needed to be increased again, the STRS Board will be limited to increases of only 0.5% of payroll each year, which could take the STRS Board years before it is able to increase the rate to the levels necessary to reduce any newly realized unfunded actuarial obligation.

Between 2019 and 2020, the number of teachers actively working dropped from 451,000, to about 448,000. Between 2020 and 2021, the number of active teachers continued to drop to about 429,000, which resulted in a payroll that remained flat, below the 3.5% annual payroll growth assumption. In 2022, the total number of active members was back to the levels last seen prior to the start of the COVID-19 pandemic, increasing by approximately 20,000 over the last fiscal year. The total payroll increased by more than 6% over the last fiscal year, resulting in STRS collecting more contributions from employers than expected. The STRS 2022 Review of Funding Levels and Risks notes that, a likely contributor to the decline in active membership in 2020-21 was the higher than expected retirements STRS experienced that fiscal year and the uncertainties related to the COVID-19 pandemic. Although an increase in retirements would normally not impact long-term funding, decisions made by employers about whether to replace the teachers who have retired can impact STRS ability to reach full funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll. The STRS

2022 Review of Funding Levels and Risks, also notes that another area of particular concern related to payroll growth and the number of teachers in the State is the decreasing population of children enrolled in K-12 schools in the State. Total enrollment in public schools in the State dropped 271,000, or 4.4% reduction, between 2019-20 and 2021-22. Several factors contributed to the drop of enrollment during that time period, including the increase in the number of homeschool students and students enrolled in private schools during the COVID-19 pandemic. The STRS 2022 Review of Funding Levels and Risks notes that it is unclear whether the decrease in overall enrollment is permanent or simply a temporary effect of the COVID-19 pandemic. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein. In September 2022, the State updated its projection of K-12 enrollment for the State, which assumes the number of children enrolled in K-12 schools will decline approximately 9% over the next 10 years.

On July 27, 2023, STRS reported a net return on investments of 6.3% for fiscal year 2022-23, ending with the total fund value of \$315.6 billion as of June 30, 2023. The 2022-23 return keeps STRS on track long term, as the 3-, 5-, 10-, 20-, and 30-year returns, including the 10.1% 3-year return, all surpass the actuarial assumption of 7.0%, despite inflation, rising interest rates and global uncertainty. Due in part to the 27.2% return in fiscal year 2020-21, STRS remains in position to be fully funded by 2046.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies included a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the

June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 17, 2021 (the “2021 Experience Study”), the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.30% per year, (ii) increasing the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 2.80%, (iii) increasing the payroll growth rate to 2.80%, and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2021 and will first impact contribution rates for school districts in fiscal year 2022-23. Based on the timing of the study, the member data used in the analysis, which runs through June 30, 2019, does not include the impacts of COVID-19. Preliminary analysis of the system experience since the beginning of the pandemic has shown demographic experience (e.g. retirements, deaths, etc.) did differ from the current actuarial assumptions in some areas, which will be more precisely quantified in future actuarial valuations.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund’s investment portfolio for the next four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation takes effect July 1, 2022 and will impact contribution rates for employers and PEPRAs employees beginning in fiscal year 2022-23.

In November 2022, PERS released its 2022 Annual Review of Funding Levels and Risk (the “2022 PERS Funding Levels and Risk Report”), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The results presented in the 2022 PERS Funding Levels and Risk Report are based on the June 30, 2021 annual valuations, which have been projected forward to June 30, 2022 based on preliminary investment performance for the year ending June 30, 2022. The unfavorable investment returns during the year ending June 30, 2022 resulted in decreases to the funded ratios for PERS plans. The funded status of the Schools Pool decreased from 78.3% as of June 30, 2021 to a projected 69% as of June 30, 2022. The 2022 PERS Funding Levels and Risk Report notes that the pandemic has potential to alter the experience of the retirement in several different areas, including investment returns, inflation, deaths, retirements, terminations, disability retirements, and pay increases. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Considerations Regarding COVID-19” herein. The 2022 PERS Funding

Levels and Risk Report notes that over the next several years, inflation and near-term economic decline, also have the potential to either increase required contributions or add additional financial strain on employers and their ability to make required contributions. PERS and its members are potentially impacted by high inflation because wages generally keep pace with inflation over the long-term, many retirees are likely to receive higher cost-of-living adjustments but will likely still lose purchasing power, and increases in wages exceeding the assumed increases and higher COLAs result in higher contributions for employers. In addition, many forecasters are predicting an economic slowdown in the near future, which could lead to lower investment returns, increased investment volatility, and higher unemployment. If the system experiences lower than expected investment returns, the potential impact on required contributions, combined with the impacts of high inflation, could push contribution rates to levels that would prove challenging for some employers.

The Schools Pool Actuarial Valuation as of June 30, 2022 (the “2022 PERS Actuarial Valuation”), reported that from June 30, 2021 to June 30, 2022 the funded ratio of the Schools Pool decreased by 10.4% (from 78.3% to 67.9%), which was primarily due to investment return in 2021-22 being lower than expected. The investment return for the year ending June 30, 2022 was approximately -6.1% reduced for administrative expenses, lower than the assumed return of 6.8%, leading to an investment experience loss. This loss will be amortized over 20 years with a five-year ramp (phase-in). When PERS released the preliminary investment returns for fiscal year 2021-22 on July 20, 2022, PERS noted that volatile global financial markets, geopolitical instability, domestic interest rate hikes, and inflation all had an impact on the investment return. Non-investment experience produced a net loss of approximately \$1.6 billion, driven by annuitant cost-of-living adjustments greater than assumed and salary increases greater than assumed. These experience losses generated new unfunded liability, increasing the unfunded liability component of the required employer contribution rate for the next 20 years in accordance with the actuarial amortization policy. The 2022 PERS Actuarial Valuation reports that the contribution rate for fiscal year 2024-25 is projected to be 27.8%, the contribution rate for fiscal year 2025-26 is projected to be 28.5%, the contribution rate for fiscal year 2026-27 is projected to be 28.9%, the contribution rate for fiscal year 2027-28 is projected to be 30.3%, and the contribution rate for fiscal year 2028-29 is projected to be 30.1%. The projected contribution rates in the 2022 PERS Actuarial Valuation reflect an investment loss for fiscal year 2022-23 based on preliminary investment return information released by the PERS Investment Office. Further, projected rates reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers. The projections assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits or funding will occur during the projection period. Future contribution requirements may differ significantly. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund. The PERS actuary noted in the 2022 PERS Actuarial Valuation that, during the period between the valuation date and the publication of the 2022 PERS Actuarial Valuation, inflation has been higher than the expected inflation rate of 2.3% per annum. Since Inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation.

On July 19, 2023, PERS reported a preliminary net return on investment of 5.8% for fiscal year 2022-23. When factoring in PERS’ discount rate of 6.8% — comparable to an assumed annual rate of return — and the 2022-23 preliminary return of 5.8%, the estimated funded status now stands at 72%. As of June 30, 2023, assets were valued at \$462.8 billion. The final investment return for fiscal year 2022-23 will be calculated based on audited figures and will be reflected in contribution levels for the State and school district employers in fiscal year 2024-25.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those

amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For PEPRAs Members, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2023, the District's proportionate shares of the STRS and PERS net pension liabilities were \$24,341,588 and \$36,960,523, respectively. For more information, see "APPENDIX A – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10" attached hereto.

Pension Rate Stabilization Program. In fiscal year 2017-18, the District became a member of the PARS Pension Rate Stabilization Program (the “PRSP”). Through the PRSP, community college districts can manage their pension costs through an IRS Section 115 irrevocable trust designed to pre-fund pension costs and offset net pension liabilities. Districts are allowed to set aside funds, separate and apart from STRS and PERS contributions, in a tax-exempt prefunding vehicle to mitigate long-term contribution rate volatility. Such funds are protected from diversion to other uses and may be used to offset contribution rate increases or as an emergency source of funds for pension related costs in the event district revenues are impaired by economic or other conditions. The District made an initial deposit of \$3 million into the PRSP trust in fiscal year 2017-18 and made an additional deposit of \$3 million in fiscal year 2020-21. Since inception, the District has not made a withdrawal from PRSP. As of November 2023, the value of assets in the PRSP Trust was \$6,821,465. The District has not budgeted a withdrawal from the PRSP Trust for fiscal year 2023-24.

Other Post-Employment Benefits

Benefits Plan. The District offers limited postemployment benefits (the “Benefits”) under a postemployment benefits plan (the “Plan”). Classified and management staff are eligible after reaching the age of 55 with at least five years of service to the District. Faculty employees are eligible after reaching the age of 55, with at least 10 years of service to the District. Retirees and their dependents 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. As of June 30, 2023, membership of the Plan consisted of 17 retirees currently purchasing the Plan Benefits at full cost and 459 active Plan members.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the District and the District’s bargaining units. The District recognizes costs for the Benefits on a pay-as-you-go basis to cover the cost of Benefits for current retirees. The District contributed \$30,404, \$28,240, \$74,256, \$68,941, \$75,532 to the Plan in fiscal years 2018-19 through 2022-23 to the Plan in fiscal years 2018-19 through 2022-23, respectively, all of which was used for current premiums. The District projects a contribution of \$75,000 to the Plan in fiscal year 2023-24 for current premiums.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 74”) and *GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”) with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB 74 and GASB 75 require a liability for OPEB obligations, known as the Net OPEB Liability (the “NOL”), to be recognized on the balance sheet of the plan and the participating employer’s financial statements. In addition, an OPEB expense (service cost plus interest on Total OPEB Liability (the “TOL”) plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan’s net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB 74, the measurement date must be the same as the plan’s fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the TOL, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (the “FNP”) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The FNP measures the value of trust assets, adjusted for payees and receivables.

GASB 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District’s financial statements for fiscal year 2016-17. GASB 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB 75 in their financial statements for fiscal year 2017-18. See also “APPENDIX A – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 8” attached hereto.

Actuarial Study. The District has implemented GASB 74 and GASB 75, pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB 74 and GASB 75 (discussed above) require biennial actuarial valuations for all plans. The most recent actuarial study, dated August 10, 2023, calculated the District’s accrued liability in accordance with GASB 74 and GASB 75. The study concluded that, as of a June 30, 2021 valuation date and a June 30, 2022 measurement date, the District’s TOL was \$1,771,597, its FNP was \$0 and its NOL was \$1,771,597. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District’s health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately.

Medicare Premium Payment Program.

The District participates in the Medicare Premium Payment (“MPP”) Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers’ Health Benefit Fund (the “THBF”). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRS Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the STRS Defined Benefit Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB 74 and GASB 75. The District's proportionate share of the net MPP Program liability as of June 30, 2023 was \$173,185. See also "APPENDIX A – 2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 8" attached hereto.

Risk Management

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; cyber intrusions and natural disasters. These risks are addressed through a combination of commercial insurance, self-insurance and participation in certain public entity risk pools.

Property and Liability Insurance. The District contracts with the Bay Area Community College District ("BACCD") joint powers agency for property and liability insurance coverage. In addition, the District participates in the Schools Association for Excess Risk ("SAFER") and the Statewide Association of Community Colleges ("SWACC") joint powers agencies. BACCD administers a cooperative liability and property insurance program for member districts. SAFER provides excess property and liability program protection for member agencies. SWACC provides liability and property insurance for members. 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. The District participates in the Self-Insurance Program for Employees 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 saving. 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 school districts 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 three JPAs 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. The District also provides medical coverage to classified and management employees through Municipalities, Colleges, Schools Insurance Group ("MCSIG"). 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 of SISC III 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.

The District also offers vision and dental benefits. Dental benefits are provided through California Schools Dental Coalition, a JPA. Vision benefits are provided through California Schools Vision Coalition.

Participation in Public Entity Risk Pools/Joint Powers Authorities. As part of its participation in the above-described 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 the JPAs are not component units of the District for financial reporting purposes.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District carries cybersecurity insurance.

General Fund Budgeting

The District's general fund is its largest source of support for District operations. General fund income and appropriations are allocated between unrestricted and restricted programs. The table on the following page shows the District's combined restricted and unrestricted general fund budgets for fiscal years 2019-20 through 2023-24, and ending results for fiscal years 2019-20 through 2022-23.

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GENERAL FUND BUDGETING⁽¹⁾
Fiscal Years 2019-20 through 2023-24
San Luis Obispo County Community College District

	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22		Fiscal Year 2022-23		Fiscal Year 2023-24
REVENUES:	<u>Budgeted</u>⁽²⁾	<u>Ending</u>	<u>Budgeted</u>⁽²⁾	<u>Ending</u>	<u>Budgeted</u>	<u>Ending</u>	<u>Budgeted</u>	<u>Ending</u>	<u>Budgeted</u>
Federal	\$2,041,376	\$2,488,456	\$3,857,268	\$6,315,107	\$14,327,275	\$12,333,136	\$5,367,199	\$3,410,746	\$3,954,411
State	19,068,699	16,438,814	20,233,493	15,650,139	24,013,265	21,609,516	38,267,802	28,355,765	47,063,144
Local	<u>52,920,865</u>	<u>53,456,948</u>	<u>54,108,050</u>	<u>55,504,439</u>	<u>56,822,893</u>	<u>55,604,840</u>	<u>57,351,502</u>	<u>61,044,105</u>	<u>60,493,938</u>
Total Revenues	74,030,940	72,384,218	78,198,811	77,469,685	95,163,433	89,547,492	100,986,503	92,810,616	111,511,493
EXPENDITURES:									
Academic Salaries	26,002,608	27,047,526	25,455,473	26,543,978	28,114,762	26,876,140	31,058,762	28,614,102	32,903,944
Classified Salaries	17,487,371	17,082,407	16,212,522	15,982,184	18,049,522	16,557,050	18,320,357	17,155,195	22,283,437
Employee Benefits	14,797,145	15,423,607	15,859,505	14,885,585	17,434,749	15,919,768	19,297,541	17,215,429	19,742,447
Books and Supplies	2,068,514	1,436,329	2,586,702	1,406,328	3,970,574	1,269,941	3,502,910	1,666,541	5,972,720
Services and Other	11,001,637	8,460,885	10,589,625	8,944,925	15,407,150	10,472,602	14,539,605	12,952,739	21,667,183
Operating									
Expenditures									
Capital Outlay	<u>3,448,932</u>	<u>1,523,614</u>	<u>5,347,646</u>	<u>2,252,852</u>	<u>10,903,055</u>	<u>4,779,494</u>	<u>10,847,419</u>	<u>2,562,936</u>	<u>4,856,128</u>
Total Expenditures	74,806,207	70,974,368	76,051,473	70,015,852	93,879,812	75,874,995	97,566,594	80,166,942	107,425,859
Excess /(Deficiency) of Revenues over Expenditures	(775,267)	1,409,850	2,147,338	7,453,833	1,283,621	13,672,497	3,419,909	12,643,674	4,085,634
Other Financing Sources	--	1,910	--	55,039	--	86,491	--	140,536	--
Other Outgo⁽²⁾	(4,952,476)	(934,408)	(8,471,490)	(1,229,564)	(13,513,507)	(8,557,164)	(945,414)	(961,174)	(4,859,759)
Net Increase/(Decrease) in Fund Balance	(5,727,743)	477,352	(6,324,152)	6,279,308	(12,229,886)	5,201,824	2,474,495	11,823,036	(774,125)
Beginning Fund Balance:									
Beginning Balance, July 1	<u>9,224,706</u>	<u>9,224,706</u>	<u>9,702,058</u>	<u>9,702,058</u>	<u>15,981,366</u>	<u>15,981,366</u>	<u>21,167,967</u>	<u>21,167,967</u>	<u>32,991,003</u>
Prior Year Adjustment	--	--	--	--	--	(15,223)	--	--	--
Ending Fund Balance	<u>\$3,496,963</u>	<u>\$9,702,058</u>	<u>\$3,377,906</u>	<u>\$15,981,366</u>	<u>\$3,751,480</u>	<u>\$21,167,967</u>	<u>\$23,642,462</u>	<u>\$32,991,003</u>	<u>\$32,216,878</u>

⁽¹⁾ Budgeted and ending results from the District's CCFS-311 Reports filed with the Chancellor's Office. For audited statements of total revenues, expenditures and changes in fund balances for the District's governmental funds for fiscal years 2018-19 through 2022-23, see "— Comparative Financial Statements" herein.

⁽²⁾ For fiscal years 2019-20 through 2020-21, the budgeted columns include the budgeted contingency account, which the District has not spent in the years shown.

Source: San Luis Obispo County Community College District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Education Code Section 84030, is to be followed by all State community college districts. GASB has released (i) Statement No. 34, which is effective for the District and makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted, and (ii) Statement No. 35, which is effective for the District and makes changes in the required content and format of annual financial statements for public colleges and universities. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

The table on the following page displays the District's revenues, expenses and changes in net position for its primary government funds during fiscal years 2018-19 through 2022-23.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Fiscal Years 2018-19 through 2022-23
San Luis Obispo County Community College District

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
OPERATING REVENUES					
Student Tuition and Fees	\$11,220,565	\$9,910,801	\$11,460,086	\$10,883,955	\$11,720,572
Less: Scholarship discounts and allowances:	<u>(4,318,296)</u>	<u>(3,815,173)</u>	<u>(3,960,007)</u>	<u>(3,461,155)</u>	<u>(3,400,901)</u>
Net tuition and other fees	6,902,269	6,095,628	7,500,079	7,422,800	8,319,671
Grants and Contracts, Noncapital					
Federal	1,768,046	2,371,109	6,315,107	12,333,136	3,410,746
State	7,385,292	7,988,403	11,191,658	8,814,075	9,544,777
Local	3,048,713	1,670,806	1,162,341	1,968,901	2,496,164
Auxiliary Enterprise Sale and Charges:					
Bookstore	1,597,016	--	--	--	--
Other Operating Revenues	<u>509,723</u>	<u>574,263</u>	<u>608,542</u>	<u>602,110</u>	<u>585,845</u>
TOTAL OPERATING REVENUES	21,211,059	18,700,209	26,777,727	31,141,022	24,357,203
OPERATING EXPENSES					
Salaries	43,618,009	44,818,111	43,062,064	44,014,350	46,491,243
Employee benefits	17,578,940	19,700,521	20,802,878	7,286,000	13,378,981
Supplies, materials and other operating expenses and services	17,506,494	12,975,846	13,191,854	24,888,699	23,264,888
Equipment, maintenance, and repairs	--	2,178,236	2,504,255	--	--
Student aid	13,695,614	15,724,735	16,902,616	19,646,472	13,818,583
Depreciation	<u>4,847,148</u>	<u>6,030,862</u>	<u>6,394,678</u>	<u>7,189,277</u>	<u>7,572,089</u>
TOTAL OPERATING EXPENSES	97,246,205	101,428,311	102,858,345	103,024,798	104,525,775
OPERATING LOSS	(76,035,146)	(82,728,102)	(76,080,618)	(71,883,776)	(80,168,572)
NON-OPERATING REVENUE (EXPENSES)					
State apportionments, non-capital	5,675,880	4,355,209	2,475,519	7,550,790	12,849,005
Local property taxes, levied for general purposes	42,099,713	44,425,059	45,661,283	47,100,131	50,869,182
Local property taxes, levied for capital purposes	12,270,963	13,376,669	13,667,466	13,952,365	14,859,193
Grants and Contracts, noncapital:					
Federal	11,955,745	12,940,332	15,498,447 ⁽²⁾	19,631,587 ⁽²⁾	13,249,911 ⁽²⁾
State	1,739,869	2,807,900	--	--	--
State taxes and other revenues	6,833,849	4,335,948	2,552,658	3,784,659	5,619,005
Investment income	1,377,025	991,816	1,196,696	110,713	1,143,446
Interest expense on capital related debt	(4,845,047)	(4,551,371)	(5,409,483)	(5,527,052)	(5,226,503)
Investment income on capital asset-related debt, net	358,742	367,457	264,457	(2,280,187)	1,672,215
Transfers to agency funds	--	--	--	--	--
Transfers from agency funds	--	--	--	--	--
Other non-operating revenues	<u>570,095</u>	<u>1,636,245</u>	<u>2,505,712</u>	<u>745,101</u>	<u>806,405</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	78,036,834	80,685,264	78,412,755	85,068,107	95,841,859
LOSS BEFORE OTHER REVENUES AND EXPENSES	2,001,688	(2,042,838)	2,332,137		
OTHER REVENUES					
State revenues, capital	110,488	28,693	--	3,706,079	7,957,550
Local revenues, capital	--	123,782	--	--	--
Gain (loss) on disposal of capital assets	<u>(1,568)</u>	<u>(35,268)</u>	<u>(897)</u>	<u>36,075</u>	<u>111,150</u>
TOTAL OTHER REVENUES	108,920	117,207	(897)	3,742,154	8,068,700
CHANGE IN NET ASSETS	2,110,608	(1,925,631)	2,331,240	16,926,512	23,741,987
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>57,430,731</u>	<u>59,541,339</u>	<u>61,766,539⁽¹⁾</u>	<u>64,097,779</u>	<u>81,024,291</u>
NET ASSETS, END OF YEAR	<u>\$59,541,339</u>	<u>\$57,615,708</u>	<u>\$64,097,779</u>	<u>\$81,024,291</u>	<u>\$104,766,278</u>

⁽¹⁾ Reflects a restatement of \$4,150,831 to reflect the inclusion of assets and liabilities of funds previously identified as fiduciary in nature due to the adoption of GASB Statement No. 84.

⁽²⁾ Includes State grants and contracts, noncapital.

Source: San Luis Obispo County Community College District.

Cuesta College Foundation

The Cuesta College Foundation (the “Foundation”) is a not-for-profit public benefit corporation organized under Section 501(c)(3) of the Internal Revenue Code. The Foundation was established in 1973 to provide financial support for the District’s programs, services, scholarships and capital campaigns. Under GASB rules, the Foundation is not a component unit of the District for financial reporting purposes. As of June 30, 2023, the Foundation had net assets valued at \$49,002,496. The following table shows a recent history of contributions from the Foundation to the District; the District has not budgeted receipt of contributions in fiscal year 2023-24. Foundation contributions are deposited into the District’s general fund.

FOUNDATION CONTRIBUTIONS
Fiscal Years 2013-14 through 2022-23
San Luis Obispo County Community College District

<u>Fiscal Year</u>	<u>Foundation Contributions</u>
2013-14	\$1,676,769
2014-15	2,115,312
2015-16	2,732,781
2016-17	2,816,168
2017-18	3,464,416
2018-19	2,545,500
2019-20	2,415,347
2020-21	1,884,454
2021-22	1,846,841
2022-23	2,632,732

Source: San Luis Obispo County Community College District.

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District Debt Structure

Long-Term Debt. A schedule of the District’s general long-term debt as of June 30, 2023, is shown below:

	<u>Beginning July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
General Obligation Bonds	\$163,735,000	--	\$7,435,000	\$156,300,000
Bond premium	16,358,228	--	827,335	15,530,893
Compensated absences	1,622,879	\$13,544	--	1,636,423
Compensatory time	21,469	5,484	--	26,953
Load banking	566,579	--	12,144	554,435
PARS supplemental retirement plan	<u>220,786</u>	<u>--</u>	<u>220,786</u>	<u>--</u>
Total	\$182,524,941	\$19,028	\$8,495,265	\$174,048,704

Source: San Luis Obispo County Community College District.

General Obligation Bonds. Pursuant to the 2014 Authorization, the District received authorization at an election held on November 4, 2014 by the requisite 55% or more of the votes cast by eligible voters within the District to issue \$275,000,000 of general obligation bonds. On March 5, 2015, the District issued the first two series of bonds under the 2014 Authorization – the Election of 2014 General Obligation Bonds, Series A (Federally Tax-Exempt) (the “2014 Series A Bonds”) in the aggregate principal amount of \$72,400,000, and the Election of 2014 General Obligation Bonds, Series A-1 (Federally Taxable) (the “2014 Series A-1 Bonds”) in the aggregate principal amount of \$2,600,000. On January 31, 2018, the District issued the third series of bonds under the 2014 Authorization, the Election of 2014 General Obligation Bonds, Series B (the “2014 Series B Bonds”) in the aggregate principal amount of \$73,000,000. On February 18, 2021, the District issued the fourth series of bonds under the 2014 Authorization, the Election of 2014 General Obligation Bonds, Series C (the “2014 Series C Bonds”) in the aggregate principal amount of \$70,000,000. The Bonds represent the fifth and final series of bonds issued pursuant to the 2014 Authorization, and after the issuance thereof, no meaningful portion of the 2014 Authorization will remain.

The table on the following page summarizes the annual debt service requirements for the outstanding bonds of the District (assuming no optional redemptions).

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GENERAL OBLIGATION BONDS ANNUAL DEBT SERVICE
San Luis Obispo County Community College District

Year Ending August 1	2014 Series A Bonds	2014 Series A-1 Bonds	2014 Series B Bonds	2014 Series C Bonds	The Bonds	Total
2024	\$2,543,950.00	\$673,965.90	\$2,748,150.00	\$7,537,200.00	\$6,313,550.00	\$19,816,815.90
2025	2,726,550.00	604,141.20	2,841,650.00	1,879,400.00	4,817,100.00	12,868,841.20
2026	3,451,150.00	--	2,939,150.00	1,938,000.00	4,815,100.00	13,143,400.00
2027	3,571,900.00	--	3,045,150.00	2,013,000.00	3,277,100.00	11,907,150.00
2028	3,693,150.00	--	3,153,900.00	2,083,600.00	2,799,600.00	11,730,250.00
2029	3,824,400.00	--	3,259,900.00	2,154,800.00	2,933,100.00	12,172,200.00
2030	3,959,650.00	--	3,377,900.00	2,226,400.00	3,068,100.00	12,632,050.00
2031	4,098,150.00	--	3,491,900.00	2,306,500.00	3,214,100.00	13,110,650.00
2032	4,239,150.00	--	3,616,650.00	2,388,000.00	3,365,100.00	13,608,900.00
2033	4,386,900.00	--	3,741,150.00	2,470,750.00	3,520,350.00	14,119,150.00
2034	4,540,400.00	--	3,874,900.00	2,559,600.00	3,684,100.00	14,659,000.00
2035	4,702,000.00	--	4,011,900.00	2,649,250.00	3,855,350.00	15,218,500.00
2036	4,866,800.00	--	4,151,600.00	2,739,550.00	4,033,100.00	15,791,050.00
2037	5,034,200.00	--	4,297,600.00	2,835,350.00	4,221,350.00	16,388,500.00
2038	5,213,600.00	--	4,443,400.00	2,936,350.00	4,418,850.00	17,012,200.00
2039	5,394,000.00	--	4,598,600.00	3,037,250.00	4,624,350.00	17,654,200.00
2040	5,584,800.00	--	4,762,400.00	3,142,900.00	4,836,600.00	18,326,700.00
2041	--	--	6,709,000.00	4,261,300.00	6,363,800.00	17,334,100.00
2042	--	--	6,991,600.00	4,461,200.00	6,598,600.00	18,051,400.00
2043	--	--	7,238,400.00	4,615,500.00	6,890,000.00	18,743,900.00
	<u>\$71,830,750.00</u>	<u>\$1,278,107.10</u>	<u>\$83,294,900.00</u>	<u>\$60,235,900.00</u>	<u>\$87,649,300.00</u>	<u>\$304,288,957.10</u>

Source: San Luis Obispo County Community College District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner’s basis in the applicable Bond.

Bond Counsel’s opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner’s basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar Bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF

ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX B.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of community college districts. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA" herein. If the safeguards are not successful in preventing a community college district from becoming insolvent, the State Chancellor and the Board of Governors, operating through a special trustee appointed by the State Chancellor, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the community college district for the adjustment of its debts. In addition, an insolvent community college district may be able to file a petition under Chapter 9 before a special trustee is appointed. Prior to such petition, if any, the community college district is required to participate in a neutral evaluation process with interested parties as provided in the Government Code or declare a fiscal emergency and adopt a resolution by a majority vote of the governing board that includes findings that the financial state of the community college district jeopardizes the health, safety, or well-being of the residents of its jurisdiction or service area absent the protections of Chapter 9.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District

related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* property tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See “THE BONDS – Statutory Lien” herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of “special revenues” within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the Treasury Pool, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – SAN LUIS OBISPO COUNTY TREASURY POOL” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or

whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed form of the approving opinion of Bond Counsel attached hereto as Appendix B is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2023-24 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be made available and to be contained in the notices of listed events is described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has not failed to timely file Annual Reports and notices of listed events as required by its prior undertakings entered into pursuant to the Rule.

Legality for Investment in California

Under provisions of the Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the Government Code, are eligible for security for deposits of public moneys in the State.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Information Reporting Requirements

Under Section 6049 of the Code, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The purpose of this change was to assist in

relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX B.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2023, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 27, 2023 of CWDL, Certified Public Accountants (the "Auditor"), are included in this Official Statement as Appendix A, and are expected to be approved by the Board on February 7, 2024. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

The Bonds have been assigned ratings of "AA" and "Aa1" by S&P and Moody's, respectively. The ratings reflect only the view of the rating agencies, and any explanation of the significance of such ratings should be obtained from such rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on the Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "LEGAL MATTERS – Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from Moody's or S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to the respective websites of Moody's and S&P, and official media outlets, for the most current rating changes with respect to the Bonds after the initial issuance thereof.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of \$63,338,255.40 (consisting of the principal amount of the Bonds of \$57,000,000.00, plus original issue premium of \$6,552,005.40 and less Underwriter’s discount of \$213,750.00)

The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

The Underwriter has provided the following for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

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ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds.

This Official Statement and the delivery thereof have been duly approved and authorized by the District.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

By: _____ /s/ Dr. Jill Stearns
Superintendent/President

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APPENDIX A

2022-23 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT*

* The audited financial statements for fiscal year 2022-23 are expected to be approved by the Board on February 7, 2024.

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See what's possible.

**SAN LUIS OBISPO COUNTY
COMMUNITY COLLEGE DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2023

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Luis Obispo County Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, 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.

Supplementary 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis section and unaudited supplementary information section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 27, 2023



SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

Build Your Future

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, 2023 and 2022. We encourage readers to consider the information presented in this Management's Discussion and Analysis in conjunction with the financial statements and accompanying notes to the financial statements.

Overview of the Government-Wide Basic Financial Statements

The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District. The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the District-wide financial statements.

This Annual Report

This annual report consists of the following sections:

- Management's Discussion and Analysis (MD&A) utilizing a current year/prior year format;
- Government-Wide Basic Financial Statements, including required Notes to the Financial Statements; and
- Supplementary Information.

FINANCIAL HIGHLIGHTS

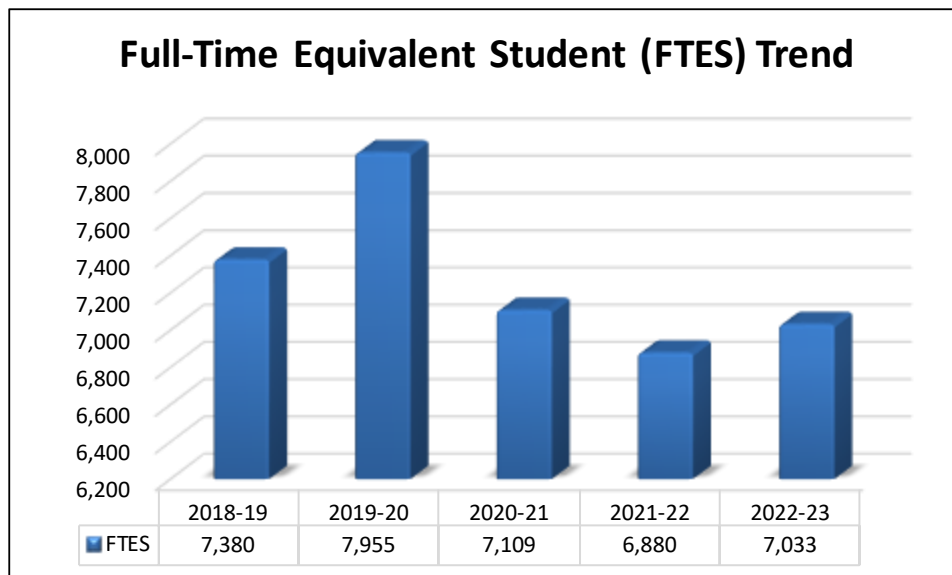
This section provides condensed information for each of the three basic financial statements, as well as illustrative charts, graphs, and tables.

Apportionment is the district's primary source of General Fund revenue. Through the 2017-2018 fiscal year, community colleges were funded under what was known as the SB 361 model. Each district received a base allocation grant for each college (amounts vary depending on the number of FTES) and state-approved centers within the district, but generated the majority of its general apportionment through the amount of FTES served (one rate for credit and enhanced noncredit and a lower rate for noncredit instruction). Since colleges earned additional funding primarily through increasing FTES, SB 361 was considered a growth model.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The 2018 Budget Act and corresponding trailer legislation enacted the Student-Centered Funding Formula (SCFF). The SCFF moves colleges away from a pure growth model to one based more on performance and student equity. Under the SCFF, approximately 70% of the system's general apportionment funding will be based on FTES, with 10% based on various student success metrics (e.g., number of degree completions, transfers, certificates, success in transfer-level math and English courses, etc.) and 20% for a supplemental grant based on the number of disadvantaged students (Pell grant recipients, Promise grant recipients, and AB 540 students). Certain FTES (non-credit/CDCP, special admits, incarcerated) are excluded from the SCFF calculation and are funded as they were under the old model. Another notable difference from the old model is that FTES is calculated on a three-year average. Through the 2024-2025 academic year, the state guarantees a transitional "hold harmless" period, which means that no district will be funded at less than its 2017-2018 level of revenues as adjusted by the COLAs over that time.

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



*The chart above shows actual FTES earned. For years 2018-19 through 2022-23, the District submitted the Emergency Conditions Allowance for COVID-19 that allows the District to elect 2019-20 P1 reported FTES for funding purposes only. The District's 2019-20 P1 FTES was 8,090.

After the System Office calculates the District's base apportionment, it reduces the net amount to be distributed by the amount of property taxes, Prop 30 Education Protection Act funds, and enrollment fees expected to be paid directly to the District. The matrix below lists the four components and illustrates the net effect of the actual receipts for fiscal year 2022-23 as compared to fiscal year 2021-22:

	2023	2022	Difference
Property tax	\$ 51,103,923	\$ 47,334,479	\$ 3,769,444
Enrollment fees	3,307,114	3,457,699	(150,585)
Apportionment	349,892	540,433	(190,541)
Education Protection Account	10,527,856	5,137,796	5,390,060
Total	\$ 65,288,785	\$ 56,470,407	\$ 8,818,378

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CONDENSED DISTRICT-WIDE FINANCIAL INFORMATION IS AS FOLLOWS:

Condensed Statement of Net Position as of June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022	Change
Current assets	\$ 153,847,579	\$ 134,580,937	\$ 19,266,642
Non-current assets	207,043,417	202,341,050	4,702,367
Deferred outflow of resources	19,636,134	13,791,281	5,844,853
Total Assets and Deferred Outflows of Resources	380,527,130	350,713,268	29,813,862
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	36,768,793	23,959,363	12,809,430
Non-current liabilities	228,548,262	216,628,799	11,919,463
Deferred inflows of resources	10,443,797	29,100,815	(18,657,018)
Total Liabilities and Deferred Inflows of Resources	275,760,852	269,688,977	6,071,875
NET POSITION			
Invested in capital assets, net of related debt	89,884,703	88,521,352	1,363,351
Restricted	35,954,581	28,605,526	7,349,055
Unrestricted	(21,073,006)	(36,102,587)	15,029,581
Total Net Position	\$ 104,766,278	\$ 81,024,291	\$ 23,741,987

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

Current assets increased by \$19,266,642 and non-current assets increased by \$4,702,367. The increase in current assets is mostly an increase in cash from State apportionments and local property taxes. The increase in non-current assets is due to completed and in progress work on capital projects.

Current liabilities increased by \$12,809,430 and non-current liabilities increased by \$11,931,607. This was due to the District's Measure L General Obligation Bond program debt service requirements and an increase in the net pension liability. The District made \$7,435,000 in debt service payments and the net pension liability went up by \$21,644,643. The bonds are repaid in annual installments, in accordance with the obligation requirements for each debt issuance, by way of property tax assessments on property within the District's boundaries. The District is also obligated to employees of the District for compensated absences, compensatory time, load banking benefits, PARS supplemental retirement plan, retiree health benefits, and pension liabilities. Notes 7, 8, and 10 in the financial statements provides additional information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2023 and 2022

	2023	2022	Change
OPERATING REVENUES			
Tuition and fees (net)	\$ 8,319,671	\$ 7,422,800	\$ 896,871
Grants and contracts	15,451,687	23,116,112	(7,664,425)
Auxiliary enterprise sales, net	585,845	602,110	(16,265)
Total Operating Revenues	24,357,203	31,141,022	(6,783,819)
OPERATING EXPENSES			
Salaries and benefits	59,870,215	51,300,350	8,569,865
Supplies, materials, and other operating expenses	23,264,888	24,888,699	(1,623,811)
Financial aid	13,818,583	19,646,472	(5,827,889)
Depreciation and amortization	7,572,089	7,189,277	382,812
Total Operating Expenses	104,525,775	103,024,798	1,500,977
Operating Loss	(80,168,572)	(71,883,776)	(8,284,796)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	12,849,005	7,550,790	5,298,215
Local property taxes, noncapital	50,869,182	47,100,131	3,769,051
State taxes and other revenues, noncapital	5,619,005	3,784,659	1,834,346
Federal grants and contracts	13,249,911	19,631,587	(6,381,676)
Investment income	1,143,446	110,713	1,032,733
Other non-operating revenues	806,405	745,101	61,304
Total Non-Operating Revenues (Expenses)	84,536,954	78,922,981	5,613,973
OTHER REVENUES (EXPENSES)			
State apportionments, capital	7,957,550	3,706,079	4,251,471
Local property taxes and revenues, capital	14,859,193	13,952,365	906,828
Interest and investment income, capital	1,672,215	(2,280,187)	3,952,402
Interest expense and costs of issuing capital asset-related debt	(5,226,503)	(5,527,025)	300,522
Gain (loss) on disposal of asset	111,150	36,075	75,075
Total Other Revenue (Expenses)	19,373,605	9,887,307	9,486,298
Change in Net Position	23,741,987	16,926,512	6,815,475
NET POSITION -- BEGINNING OF YEAR	81,024,291	64,097,779	16,926,512
NET POSITION -- END OF YEAR	\$ 104,766,278	\$ 81,024,291	\$ 23,741,987

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 \$6,783,819 from the prior year as a result of a combination of a net decrease in total grants and contracts revenue of \$7,664,425, offset by an increase of \$896,871 of net tuition and fees, and a decrease in internal service sales and charges of \$16,265. Most of the decrease in total grants was due to a decrease in funding related to the COVID-19 Higher Education Emergency Relief Funds. Total operating expenditures increased by \$1,513,121. Salaries and benefits increased by \$8,582,009 from salary improvements and increased pension costs.

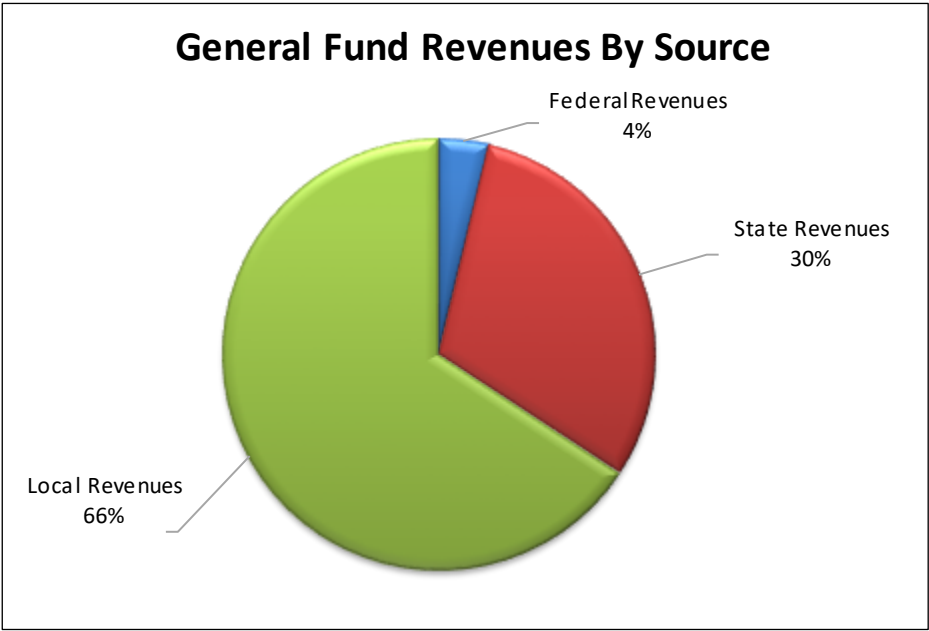
**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

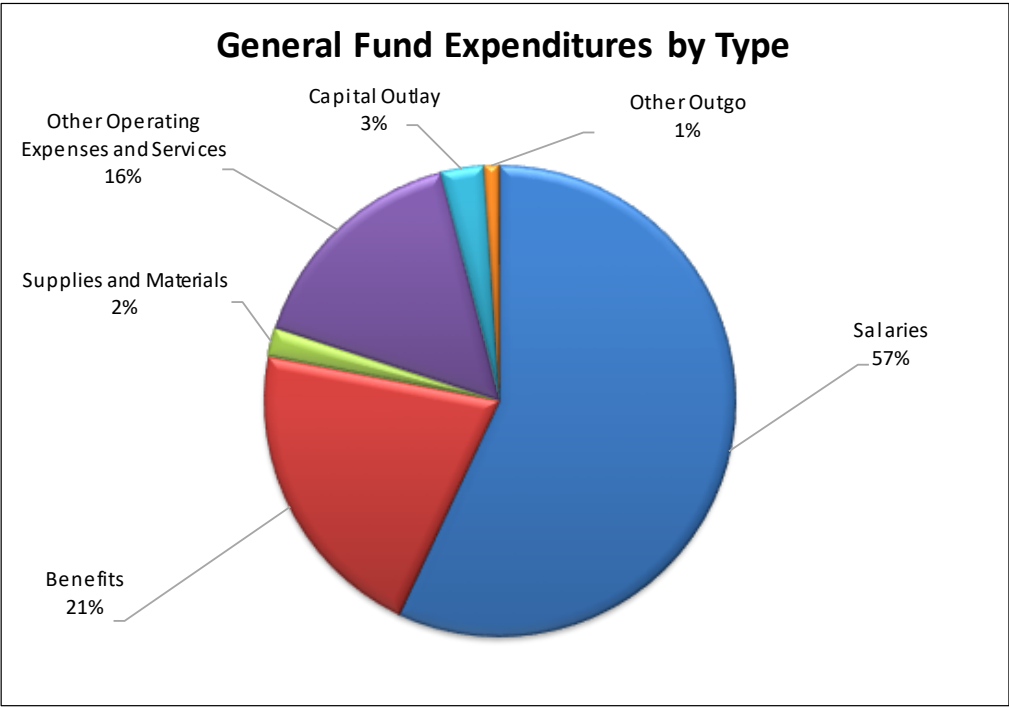
The chart below depicts the District's General Fund total revenues by source:



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

General Fund Expenditures by Type

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



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Expenditures by Activity

The following table summarizes the District's expenditures by activity for the year ended June 30, 2023:

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Depreciation and Amortization	Total
Instruction	\$ 23,906,256	\$ 6,360,796	\$ 2,123,948	\$ -	\$ 32,391,000
Academic Support	3,701,167	978,276	715,374	-	5,394,817
Student Services	7,178,657	2,038,221	1,418,489	-	10,635,367
Operation and Maintenance of Plant	2,356,080	903,556	2,420,982	-	5,680,618
Institutional Support	7,031,031	2,530,075	4,843,802	-	14,404,908
Community Services and Economic Development	655,993	127,168	962,589	-	1,745,750
Auxiliary Operations	1,662,050	440,889	846,728	-	2,949,667
Student Aid	-	-	13,818,583	-	13,818,583
Other Outgo	-	-	9,932,976	-	9,932,976
Depreciation	-	-	-	7,572,089	7,572,089
	\$ 46,491,234	\$ 13,378,981	\$ 37,083,471	\$ 7,572,089	\$ 104,525,775

Condensed Statement of Cash Flows for the Years Ended June 30, 2023 and 2022

CASH PROVIDED BY (USED IN)	2023	2022	Change
Operating activities	\$ (65,334,895)	\$ (66,388,695)	\$ 1,053,800
Noncapital financing activities	83,393,508	78,812,268	4,581,240
Capital and related financing activities	(1,284,549)	(16,876,593)	15,592,044
Investing activities	1,143,446	110,713	1,032,733
Net Increase (Decrease) in Cash and Cash Equivalents	17,917,510	(4,342,307)	22,259,817
CASH -- BEGINNING OF YEAR	128,258,054	132,600,361	(4,342,307)
CASH -- END OF YEAR	\$ 146,175,564	\$ 128,258,054	17,917,510

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.

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.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

MEASURE L

Measure L, a general obligation bond, was passed by the voters of San Luis Obispo and Monterey counties on November 4, 2014. The bond required a 55% approval to be successful; it achieved 62%. Measure L authorizes the District to issue \$275,000,000 in bonds to benefit the District. The funds were designated to repair, construct and acquire facilities and equipment; update classrooms; improve career education programs; repair gas and electrical lines and upgrade technology.

The District will issue a series of four bonds every three years. The first series was issued in March of 2015 for \$75,000,000. The proceeds were used for the following projects: HVAC/roof repairs, Aquatics Center planning and renovations, interim housing, North County Campus Center, SLO Campus Instructional Building, technology upgrades, and debt retirement. The proceeds have been fully spent.

The second bond series of \$73,000,000 was issued in January 2018. Projects completed in the second issuance include: Data Center Building, Aquatics Center, North County Early Childhood Education Center, building repairs and upgrades, technology upgrades, and retirement of the 2009 Certificates of Participation. The proceeds have been fully spent.

The third bond series of \$70,000,000 was issued in February 2021. Projects scheduled for the third issuance include; SLO Campus Center, switchgear replacement, HVAC/roof replacements, technology upgrades and the North County Instructional Building design.

The fourth bond series of \$57,000,000 is scheduled to be issued in early 2024. Projects included for the fourth issuance include: North County Campus Instructional Building, 3000 Complex improvements, HVAC/Roofing improvements, Technology improvements, and various site improvements.

Current information on the bond program can be found at www.cuestacollegebond.info.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

State Budget Overview

In sharp contrast from the previous year, the 2023-24 state budget showed a year-over-year decline in revenues. Broad economic indicators are sending mixed signals – strong employment numbers are coupled with high inflation and lagging state tax receipts. Revenue declines are largely attributable to the poor performance of the stock market in the second half of 2022 (the S&P 500 dropped 19.4% during that time), a mark of the state's reliance on high-income earners. The Department of Finance (DOF) projects a deficit of \$31.5 billion, a dramatic downturn from the large surplus of the prior year. The total proposed state budget from all sources is \$306 billion, with a general fund expenditure estimate of \$226 billion - a 3% decrease from the 2022-23 fiscal year.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The spring forecast arrived with more uncertainty than usual, as the IRS and the Franchise Tax Board postponed tax filing deadlines until October for counties impacted by the spring rain storms. Other concerns raised include the impact of high interest rates and concerns over the instability of banks. While the DOF isn't forecasting a recession, it suggests that even a mild recession could lead to additional revenue losses of nearly \$40 billion. Such a recession would have a negative multiyear impact on state budgets. Due to those concerns, Governor Newsom does not propose dipping into the state's reserves at this point in time. Instead, the budget gap is addressed through a combination of reductions, expenditure delays, and fund shifts.

Total state reserves are estimated to be \$38 billion, including \$22.3 billion in the Rainy Day Fund. Given the deficit, few programs are targeted for expansion. Top priorities addressed in the proposal include education, infrastructure, and mitigating the impacts of climate change (e.g., enhancing wildfire resistance).

The Legislative Analyst's Office (LAO) has cautioned state officials that the deficit may be even greater than what the DOF projects. The LAO has estimated the gap to be over \$40 billion and recommended lawmakers enact deeper cuts to avoid persistent budget deficits in the coming years.

California Community Colleges

As state revenues have declined, the K-14 Proposition 98 minimum guarantee has decreased correspondingly. The guarantee is in Test 1, which means it is equal to 38.6% of state general fund revenues, plus the local property taxes allocated for K-14 education. The 2023-24 guarantee is estimated at \$108.3 billion, a \$2 billion decrease from the amount adopted in the 2022-23 Budget Act. The community colleges' share of the minimum guarantee amounts to \$12.3 billion (this figure includes resources that "pass through" to K-12 and other agencies), roughly \$300 million less than what was approved in the current year budget.

Lawmakers were challenged to find room to fund the high statutory COLA of 8.22% amidst the decline in ongoing revenues. As the 2022-23 budget included a large number of one-time expenditures, backing those out only partially solved the problem. In order to secure resources to fund the full COLA, policymakers took the unusual step of reducing the 2022-23 one-time appropriation for deferred maintenance and an appropriation for enrollment retention and outreach. The resulting budget supports the ongoing community college budget using \$503 million in one-time revenues. This is a risky proposition, but the DOF has indicated that other tools, such as deferrals and reserves, are available to address further short-term gaps, if necessary.

Aside from the expenditure items, Governor Newsom continues to place an emphasis on increasing completions and integration among the higher education segments. The "Road Map" - spelled out in the 2022-23 budget - sets a goal of achieving 70% completion of postsecondary degree and certificate attainment among working-age Californians by 2030. Other goals include increasing the percentage of students earning degrees and certificates for in-demand jobs by 20% as of 2026; decreasing the median units to completion in excess of 60 by 15%; and improving student equity by increasing completion and transfer rates among disabled, underrepresented, and Pell students to meet the average of all students by 2026. The UC and CSU systems are requested to increase undergraduate enrollments by 22,000 as of 2026 with a significant share of those coming from community college transfers.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Highlighted items in the State's final budget include.

- A COLA of 8.22% for the Student Centered Funding Formula (SCFF) rates and selected categorical programs.
- \$26.4M for enrollment growth of 0.5%.
- \$275K (\$200K ongoing) for a Chief Business Official Mentorship program.
- A reduction of \$493.6M (out of \$840M) from one-time Deferred Maintenance funds appropriated in the 2022-23 budget.
- A reduction of \$5.4M (out of \$150M) from one-time Student Retention and Enrollment funds appropriated in the 2022-23 budget.
- An allowance of flexibility among the remaining \$1.1B in one-time Deferred Maintenance, Student Retention and Enrollment, and 2022-23 COVID-19 Block Grant Funds, so that the combined dollars can be used for any of those purposes.

It is very unusual for the state to pull back funds that have already been allocated to districts, but the proposal to redirect funding from the Deferred Maintenance and COVID Block Grant funds demonstrates the state's priority to fully fund the COLA. This action creates problems for many districts that may have already established plans and entered into contracts for projects. At this time no information has been provided as to how the Chancellor's Office would recapture the funds.

Challenges Ahead

While the final state budget provides welcomed new resources for the District, we will need to remain focused on our standing in the SCFF. Higher than usual COLAs over the past three budgets will push the timeline for attaining Community-Supported (basic aid) status back several years. Cuesta College, like most districts in the state, has seen steep declines in enrollment which could limit our funding growth as protections provided during the pandemic end. Additionally, pension costs are scheduled to increase over the next several years, and we've seen the impact of inflation in areas like utilities. Community colleges remain subject to the state's revenue volatility, and the Chancellor's Office has projected apportionment deficits as property taxes and Education Protection Account funds have lagged behind expectations.

That said, the increased funding rates and recent COLAs for the SCFF provide the District with good opportunities to increase reserves to handle coming challenges, restore operational reductions made during the pandemic, and absorb this year's increase in pension costs.

Potential areas for action in 2023-24:

- Invest additional one-time resources into the pension trust account, potentially from the Employee Retention Credit.
- Improve efforts to recruit and retain students.
- Plan for the refreshment of priority technology funded during the pandemic.
- Recruit more international students.
- Generate revenue from surplus property.
- Maintain reserves to protect operations from revenue shortfalls.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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
JUNE 30, 2023

ASSETS

Current Assets:

Cash and investments	\$ 146,175,564
Accounts receivable, net	6,374,562
Due from Foundation	556,469
Prepaid expenditures and other assets	740,984
Total Current Assets	<u>153,847,579</u>

Noncurrent Assets:

Capital assets, net	<u>207,043,417</u>
Total Noncurrent Assets	<u>207,043,417</u>

TOTAL ASSETS

360,890,996

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - OPEB	907,502
Deferred outflows - pensions	<u>18,728,632</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES

19,636,134

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 380,527,130

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 4,768,274
Accrued interest	2,508,218
Unearned revenue	20,744,966
Long-term debt, current portion	<u>8,747,335</u>
Total Current Liabilities	<u>36,768,793</u>

Noncurrent Liabilities:

Net OPEB liability	1,944,782
Net pension liability	61,302,111
Long-term debt, non-current portion	<u>165,301,369</u>
Total Noncurrent Liabilities	<u>228,548,262</u>

TOTAL LIABILITIES

265,317,055

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	538,445
Deferred inflows related to pensions	<u>9,905,352</u>

TOTAL DEFERRED INFLOWS OF RESOURCES

10,443,797

NET POSITION

Net investment in capital assets	89,884,703
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Restricted for:

Debt service	22,906,053
Capital projects	9,321,565
Educational programs	1,083,485
Other special purpose	2,643,478

Unrestricted	<u>(21,073,006)</u>
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TOTAL NET POSITION

104,766,278

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 380,527,130

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES

Tuition and fees (gross)	\$ 11,720,572
Less: Scholarship discounts and allowances	(3,400,901)
Net tuition and fees	<u>8,319,671</u>
Grants and contracts, noncapital:	
Federal	3,410,746
State	9,544,777
Local	2,496,164
Auxiliary enterprise sales, net	<u>585,845</u>
TOTAL OPERATING REVENUES	<u>24,357,203</u>

OPERATING EXPENSES

Salaries	46,491,234
Employee benefits	13,378,981
Supplies, materials, and other operating expenses	23,264,888
Financial aid	13,818,583
Depreciation and amortization	<u>7,572,089</u>
TOTAL OPERATING EXPENSES	<u>104,525,775</u>

OPERATING LOSS

(80,168,572)

NON-OPERATING REVENUES (EXPENSES)

State apportionments, noncapital	12,849,005
Local property taxes, noncapital	50,869,182
State taxes and other revenues, noncapital	5,619,005
Federal and State financial aid grants	13,249,911
Interest and investment income (loss), noncapital	1,143,446
Other non-operating income	<u>806,405</u>
TOTAL NON-OPERATING REVENUES	<u>84,536,954</u>

LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

4,368,382

OTHER REVENUES, EXPENSES, GAINS AND LOSSES

State apportionments, capital	7,957,550
Local property taxes and revenues, capital	14,859,193
Interest and investment income (loss), capital	1,672,215
Interest expense, capital	(5,226,503)
Gain (loss) on disposal of capital assets	<u>111,150</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>19,373,605</u>

CHANGE IN NET POSITION

23,741,987

NET POSITION -- BEGINNING OF YEAR

81,024,291

NET POSITION -- END OF YEAR

\$ 104,766,278

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 8,319,671
Grants and contracts	26,210,256
Payments to or on behalf of employees	(63,098,739)
Payments to vendors for supplies and services	(23,533,345)
Payments to students	(13,818,583)
Internal sales and charges	585,845
Net Cash Used by Operating Activities	<u>(65,334,895)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	12,849,005
Local property taxes	50,869,182
State taxes and other revenues	5,619,005
Federal and State financial aid grants	13,249,911
Other non-operating revenues	806,405
Net Cash Provided by Non-capital Financing Activities	<u>83,393,508</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Net purchase and sale of capital assets	(12,163,306)
State revenue, capital projects	7,957,550
Local property taxes on capital related debt	14,859,193
Interest earned on capital related debt	1,672,215
Principal paid on capital debt	(7,435,000)
Interest paid on capital debt	(6,175,201)
Net Cash Used by Capital and Related Financing Activities	<u>(1,284,549)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income (expense)	<u>1,143,446</u>
Net Cash Provided by Investing Activities	<u>1,143,446</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	17,917,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>128,258,054</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 146,175,564</u>

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (80,168,572)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	7,572,089
Changes in Assets and Liabilities:	
Accounts receivable, net	(216,067)
Prepaid expenditures	(576,596)
Due from Foundation/District	(556,469)
Deferred outflows - pensions	(5,960,581)
Deferred outflows - OPEB	115,728
Accounts payable and accrued liabilities	308,139
Deferred revenue	11,531,105
Compensated absences and load banking	6,884
Supplemental Employee Retirement Plan	(220,786)
Net OPEB liability	(157,394)
Net pension liability	21,644,643
Deferred inflows - pensions	(18,784,943)
Deferred inflows - OPEB	127,925
Total Adjustments	14,833,677
Net Cash Flows From Operating Activities	\$ (65,334,895)

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$3,592,572 for the year ended June 30, 2023.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

Compensated Absences and Load Banking

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

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

Debt Premiums

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Unearned Revenue

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Noncurrent Liabilities

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$35,954,581 of restricted net position.

Operating and Nonoperating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes

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

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

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The statement is effective for fiscal year 2022-23. The District has implemented GASB Statement No. 96 for the year ending June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

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	40%	30%
Banker's Acceptance	180 days	25%	10%
Commercial Paper	270 days	30%	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	20% of base	None
Reverse Repurchase Agreements	92 days	30%	None
Medium-Term Corporate Notes	5 years	20%	10%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	None	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, 2023, consist of the following:

	District
Cash on hand and in banks	\$ 2,620,997
Cash in revolving	16,886
Investments	143,537,681
Total Deposits and Investments	<u>\$ 146,175,564</u>

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
San Luis Obispo County Treasury Investment Pool	\$ 136,800,343	436 days	AAAf/S1
Mutual funds	6,737,338	No maturity	Not rated
Total	<u>\$ 143,537,681</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 Obispo County Treasury Investment Pool was rated by Fitch Ratings as AAAf/S1. The mutual funds and equities are not required to be rated, nor have they been rated as of June 30, 2023.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of approximately \$3.0 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2023, the District's investment balance of approximately \$6.7 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Fair Value	Fair Value Measurements Using
		Level 1 Inputs
Mutual funds	\$ 6,737,338	\$ 6,737,338
Total	<u>\$ 6,737,338</u>	

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	\$ 931,930
State Government	
EPA funds	1,838,417
Categorical aid	59,609
Lottery	267,975
Local Sources	
Other local sources	724,099
Subtotal	3,822,030
Student receivables	6,145,104
Less: allowance for bad debt	(3,592,572)
Total receivables, net	\$ 6,374,562

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 1,216,661	\$ -	\$ -	\$ 1,216,661
Construction in progress	11,865,251	10,147,916	328,819	21,684,348
Total Capital Assets Not Being Depreciated	13,081,912	10,147,916	328,819	22,901,009
Capital Assets Being Depreciated				
Land improvements	36,830,175	400,026	-	37,230,201
Buildings and improvements	226,703,809	1,012,438	-	227,716,247
Portable buildings	2,325,659	-	-	2,325,659
Equipment	6,092,243	172,077	22,521	6,241,799
Technology equipment	9,524,916	353,873	-	9,878,789
Vehicles	1,724,555	516,945	21,574	2,219,926
Total Capital Assets Being Depreciated	283,201,357	2,455,359	44,095	285,612,621
Total Capital Assets	296,283,269	12,603,275	372,914	308,513,630
Less: Accumulated Depreciation				
Land improvements	19,630,766	2,181,304	-	21,812,070
Buildings and improvements	57,901,873	4,517,414	-	62,419,287
Portable buildings	1,291,930	101,369	-	1,393,299
Equipment	4,974,051	298,719	22,521	5,250,249
Technology equipment	8,852,646	354,836	-	9,207,482
Vehicles	1,290,953	118,447	21,574	1,387,826
Total Accumulated Depreciation	93,942,219	7,572,089	44,095	101,470,213
Net Capital Assets	\$ 202,341,050	\$ 5,031,186	\$ 328,819	\$ 207,043,417

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2023 consisted of the following:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due in One Year
General Obligation Bonds	\$ 163,735,000	\$ -	\$ 7,435,000	\$ 156,300,000	\$ 7,920,000
Bond Premium	16,358,228	-	827,335	15,530,893	827,335
Compensated absences	1,622,879	13,544	-	1,636,423	-
Compensatory time	21,469	5,484	-	26,953	-
Load banking	566,579	-	12,144	554,435	-
PARS supplemental retirement plan	220,786	-	220,786	-	-
Total	\$ 182,524,941	\$ 19,028	\$ 8,495,265	\$ 174,048,704	\$ 8,747,335

Description of Long-Term Liabilities

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

General Obligation Bonds

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

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

On February 18, 2015, the District issued the Election of 2014 General Obligation Bonds, Series A and Series A-1 in the amount of \$75,000,000. The bonds mature beginning August 1, 2016 through August 1, 2040, with interest rates ranging from 2.00% to 5.00%. At June 30, 2023, the principal balance outstanding was \$50,575,000, and the unamortized premium was \$4,076,107. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Election of 2014 General Obligation Bonds, Series B

On January 18, 2018, the District issued the Election of 2014 General Obligation Bonds, Series B in the amount of \$73,000,000. The bonds mature beginning August 1, 2018 through August 1, 2043, with interest rates ranging from 3.00% to 5.00%. At June 30, 2023, the principal balance outstanding was \$52,915,000, and the unamortized premium was \$5,876,236. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY, continued

Election of 2014 General Obligation Bonds, Series C

On February 18, 2021, the District issued the Election of 2014 General Obligation Bonds, Series C in the amount of \$70,000,000. The District issued \$805,000 of federally taxable bonds, which matured on April 1, 2021 and bearing an interest rate of 0.200%. The remaining bonds mature beginning August 1, 2021 through August 1, 2043, with interest rates ranging from 2.00% to 4.00%. At June 30, 2023, the principal balance outstanding was \$52,810,000, and the unamortized premium was \$5,578,550. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Issued	Redeemed	Bonds Outstanding June 30, 2023
2/18/2015	8/1/2040	2.00%-5.00%	\$ 75,000,000	\$ 51,380,000	\$ -	\$ 805,000	\$ 50,575,000
1/18/2018	8/1/2043	3.00%-5.00%	73,000,000	53,160,000	-	245,000	52,915,000
2/18/2021	8/1/2043	0.200%-4.00%	70,000,000	59,195,000	-	6,385,000	52,810,000
				\$ 163,735,000	\$ -	\$ 7,435,000	\$ 156,300,000

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2024	\$ 7,920,000	\$ 6,019,723	\$ 13,939,723
2025	7,795,000	5,708,266	13,503,266
2026	2,655,000	5,396,741	8,051,741
2027	3,040,000	5,288,300	8,328,300
2028	3,485,000	5,145,050	8,630,050
2029-2033	25,040,000	22,834,050	47,874,050
2034-2038	40,680,000	16,181,950	56,861,950
2039-2043	54,200,000	7,336,400	61,536,400
2044	11,485,000	368,900	11,853,900
Total	\$ 156,300,000	\$ 74,279,380	\$ 230,579,380

PARS Supplemental Retirement Plan

The District sponsored a one-time Supplemental Retirement Plan for full-time faculty who were employed by the District as of January 10, 2018. To be eligible for early retirement benefits, the employee must have been at least 55 years of age with five or more years of service or at least age 50 with 30 or more years of service as of June 30, 2018, be eligible to retire from CalSTRS or CalPERS, be resigned from District employment effective after the completion of the 2017-2018 academic year, on or before June 30, 2018, and has applied for benefits under the addendum. The final payment of \$220,786 was paid during fiscal year 2022-23.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY

For the fiscal year ended June 30, 2023, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 1,771,597	\$ 907,502	\$ 538,445	\$ 172,455
MPP Program	173,185	-	-	(86,196)
Total	\$ 1,944,782	\$ 907,502	\$ 538,445	\$ 86,259

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75

Management of the plan is vested in the District management.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

	Number of Participants
Inactive Employees Receiving Benefits	17
Active Employees	459
	476

Benefits Provided

The Plan allows eligible retirees to purchase healthcare costs at the same rate as active employees (implicit rate subsidy). The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The following is a summary of the current retiree benefit plan:

	Faculty	Classified	Management
Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years	5 years	5 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
College Contribution %	Implicit rate subsidy	Implicit rate subsidy	Implicit rate subsidy
College Cap	None	None	None

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Total OPEB Liability of the District

The District's total OPEB liability of \$1,771,597 was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.50%
Investment rate of return	3.54%
Health care cost trend rate	4.00%
Payroll increase	2.75%

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study as of July 2020.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Changes in the Total OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance July 1, 2021	\$ 1,842,795	\$ -	\$ 1,842,795
Changes for the year:			
Service cost	144,480	-	144,480
Interest on TOL	40,581	-	40,581
Employer contributions	-	72,532	(72,532)
Change in assumptions	(183,727)	-	(183,727)
Expected benefit payments	(72,532)	(72,532)	-
Net change	(71,198)	-	(71,198)
Balance June 30, 2022	\$ 1,771,597	\$ -	\$ 1,771,597

Changes of economic assumptions reflect a change in the discount rate from 2.16% to 3.54% since the previous valuation. There were no changes to benefit terms since the previous valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	Discount Rate 1% Lower (2.54%)	Discount Rate (3.54%)	Discount Rate 1% Higher (4.54%)
Net OPEB liability	\$ 1,909,131	\$ 1,771,597	\$ 1,680,441

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

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

	Trend Rate 1% Lower (3.00%)	Healthcare Cost Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 1,579,637	\$ 1,771,597	\$ 1,988,892

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,516	\$ 285,879
Change in assumptions	826,986	252,566
	<u>\$ 907,502</u>	<u>\$ 538,445</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSLS) of all members that are provided benefits as of the beginning of the measurement period. The EARSLS for the measurement period is 11.4 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 59,926
2025	59,926
2026	59,926
2027	59,926
2028	59,926
Thereafter	69,427
	<u>\$ 369,057</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Benefits Provided

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

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

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$173,185 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.053% and 0.065%, respectively, resulting in a net decrease in the proportionate share of 0.012%.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$86,196).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.54%
Investment Rate of Return	3.54%
Medicare Part A Premium	
Cost Trend Rate*	4.50%
Medicare Part B Premium	
Cost Trend Rate*	5.40%

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Actuarial Methods and Assumptions, continued

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 2.16% from 3.54% as of June 30, 2021.

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

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

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Districts MPP's net OPEB liability	\$ 231,147	\$ 173,185	\$ 191,376

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

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

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

	1% Decrease (3.50% Part A and 4.40% Part B)	Medicare Cost Trend Rate (4.50% Part A and 5.40% Part B)	1% Increase (5.50% Part A and 6.40% Part B)
Districts MPP's net OPEB liability	\$ 158,891	\$ 173,185	\$ 189,359

NOTE 9 – RISK MANAGEMENT

Property and Liability Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2023, 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 2022-2023, 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.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – RISK MANAGEMENT, continued

Employee Medical Benefits, continued

The District has contracted with Self-Insured Schools of California (SISC III) to provide medical plans to faculty and other eligible District employees. SISC III is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of the claims flow. The Board of Directors has the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Also offered are vision and dental benefits. Dental benefits are provided through California Schools Dental Coalition, a Joint Powers Authority. Vision benefits are provided through California Schools Vision Coalition, a Joint Powers Authority.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of the aggregate net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 24,341,588	\$ 6,951,015	\$ 6,874,795	\$ 1,453,644
CalPERS	36,960,523	11,777,617	3,030,557	4,165,841
Total	<u>\$ 61,302,111</u>	<u>\$ 18,728,632</u>	<u>\$ 9,905,352</u>	<u>\$ 5,619,485</u>

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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Benefits Provided

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

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were \$4,207,950.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

At June 30, 2023, 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:

District's proportionate share of the net pension liability	\$	24,341,588
State's proportionate share of the net pension liability associated with the District		12,190,338
Total	\$	<u>36,531,926</u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0350% and 0.0366%, respectively, resulting in a net decrease in the proportionate share of 0.0016%.

For the year ended June 30, 2023, the District recognized pension expense of \$1,453,644. In addition, the District recognized pension expense and revenue of (\$911,740) for support provided by the State. At June 30, 2023, 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
Difference between projected and actual earnings on plan investments	\$ -	\$ 1,191,122
Differences between expected and actual experience	19,968	1,824,811
Changes in assumptions	1,206,263	-
Net changes in proportionate share of net pension liability	1,516,834	3,858,862
District contributions subsequent to the measurement date	4,207,950	-
Total	\$ 6,951,015	\$ 6,874,795

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARS�) of the plan participants. The EARS� for the STRP for the June 30, 2022 measurement date is seven years.

The remaining amount will be recognized to pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (808,786)
2025	(1,901,621)
2026	(2,597,271)
2027	1,511,995
2028	(252,323)
Thereafter	(83,724)
	<u>\$ (4,131,730)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015, through June 30, 2018
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Methods and Assumptions, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Public Equity	42%	4.8%
Real Estate	15%	3.6%
Private Equity	13%	6.3%
Fixed Income	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	-0.4%
	<u>100%</u>	

*20-year average

Discount Rate

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 41,341,044	\$ 24,341,588	\$ 10,226,928

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	25.370%	25.370%

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2023, are presented above, and the total District contributions were \$4,512,416.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$36,960,523. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.1074% and 0.1131%, respectively, resulting in a net decrease in the proportionate share of 0.0057%.

For the year ended June 30, 2023, the District recognized pension expense of \$4,165,841. At June 30, 2023, 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
Difference between projected and actual earnings on plan investments	\$ 4,364,032	\$ -
Differences between expected and actual experience	167,040	919,626
Changes in assumptions	2,734,129	-
Net changes in proportionate share of net pension liability	-	2,110,931
District contributions subsequent to the measurement date	4,512,416	-
Total	<u>\$ 11,777,617</u>	<u>\$ 3,030,557</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 subsequent fiscal year.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

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, 2023. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARS�) of the plan participants. The EARS� for the CalPERS Schools Pool Plan for the June 30, 2022 measurement date is 4.1 years. The remaining amount will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 906,594
2025	680,972
2026	306,762
2027	2,340,316
	<u>\$ 4,234,644</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Methods and Assumptions, continued

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	<u>100%</u>	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 53,391,347	\$ 36,960,523	\$ 23,381,050

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

CalSTRS/CalPERS Irrevocable Trust

During the 2017-2018 fiscal year, the District established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a fund of the District. The District made no contributions to the trust for the year ended June 30, 2023. As of June 30, 2023, the balance of the trust was \$6,737,338.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2023, which amounted to \$1,955,557. 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, 2023. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

The District has appointed one representative to the Governing Board of BACCD and SIPE. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2023, the District made payments of \$384,022, \$660,672, \$2,055,850, \$370,968, and \$42,252 to the BACCD, SIPE, SISC III, the California Schools Dental Coalition, and the California Schools Vision Coalition, respectively.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

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, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately \$43.8 million in commitments with respect to unfinished capital projects. The projects are funded through general obligation bond proceeds.

REQUIRED SUPPLEMENTARY INFORMATION

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability						
Service cost	\$ 144,480	\$ 247,493	\$ 132,133	\$ 49,070	\$ 49,910	\$ 48,574
Interest	40,581	47,286	61,050	18,645	17,572	14,958
Change in assumptions	(183,727)	(96,442)	192,081	1,039,567	(9,494)	-
Experience gains/losses	-	(346,705)	-	122,348	-	-
Benefit payments	(72,532)	(68,941)	(6,802)	(28,240)	(30,404)	(29,235)
Net change in total OPEB liability	(71,198)	(217,309)	378,462	1,201,390	27,584	34,297
Total OPEB liability, beginning of year	1,842,795	2,060,104	1,681,641	480,251	452,667	418,370
Total OPEB liability, end of year (a)	\$ 1,771,597	\$ 1,842,795	\$ 2,060,103	\$ 1,681,641	\$ 480,251	\$ 452,667
Plan fiduciary net position						
Employer contributions	\$ 72,532	\$ 68,941	\$ 6,802	\$ 2,862,015	\$ 2,673,061	\$ 2,817,936
Expected benefit payments	(72,532)	(68,941)	(6,802)	(2,862,015)	(2,673,061)	(2,817,936)
Change in plan fiduciary net position	-	-	-	-	-	-
Fiduciary trust net position, beginning of year	-	-	-	-	-	-
Fiduciary trust net position, end of year (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 1,771,597	\$ 1,842,795	\$ 2,060,103	\$ 1,681,641	\$ 480,251	\$ 452,667
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Net OPEB asset as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

*The OPEB plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of pay is presented.

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP
PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
District's proportion of the net OPEB liability	0.053%	0.065%	0.067%	0.067%	0.064%	0.072%
District's Proportionate Share of the Net OPEB Liability	\$ 173,185	\$ 259,381	\$ 283,496	\$ 248,221	\$ 246,080	\$ 304,746
District's Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	-0.94%	-0.80%	-0.71%	-0.81%	-0.40%	0.01%

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

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

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, 2023

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalSTRS					
District's proportion of the net pension liability	0.0350%	0.0366%	0.0384%	0.0377%	0.0358%
District's proportionate share of the net pension liability	\$ 24,341,588	\$ 16,650,120	\$ 37,205,256	\$ 34,030,373	\$ 32,919,196
State's proportionate share of the net pension liability associated with the District	12,190,338	8,377,869	19,179,314	18,565,841	18,847,780
Total	\$ 36,531,926	\$ 25,027,989	\$ 56,384,570	\$ 52,596,214	\$ 51,766,976
District's covered - employee payroll	\$ 21,616,832	\$ 16,341,362	\$ 21,791,088	\$ 24,993,550	\$ 20,676,715
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	113%	102%	171%	136%	159%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalPERS					
District's proportion of the net pension liability	0.1074%	0.1131%	0.1180%	0.1186%	0.1216%
District's proportionate share of the net pension liability	\$ 36,960,523	\$ 23,007,348	\$ 36,207,498	\$ 34,560,126	\$ 32,424,171
District's covered - employee payroll	\$ 16,361,122	\$ 16,235,758	\$ 16,996,212	\$ 16,465,580	\$ 16,539,566
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	226%	142%	213%	210%	196%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

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

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, 2023

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalSTRS				
District's proportion of the net pension liability	0.0400%	0.0403%	0.0448%	0.0456%
District's proportionate share of the net pension liability	\$ 37,001,870	\$ 32,632,487	\$ 30,184,782	\$ 26,654,408
State's proportionate share of the net pension liability associated with the District	21,889,994	18,577,093	15,964,422	16,095,083
Total	\$ 58,891,864	\$ 51,209,580	\$ 46,149,204	\$ 42,749,491
District's covered - employee payroll	\$ 21,863,394	\$ 21,205,592	\$ 20,502,511	\$ 20,315,806
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	169%	154%	147%	131%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalPERS				
District's proportion of the net pension liability	0.1185%	0.1198%	0.1203%	0.1229%
District's proportionate share of the net pension liability	\$ 28,288,744	\$ 23,668,262	\$ 17,731,314	\$ 13,948,691
District's covered - employee payroll	\$ 14,786,650	\$ 14,591,584	\$ 13,149,104	\$ 12,898,243
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	191%	162%	135%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CaSTRS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 4,207,950	\$ 3,657,568	\$ 2,639,130	\$ 3,726,276	\$ 4,068,950
District's contributions in relation to the statutorily required contribution	4,207,950	3,657,568	2,639,130	3,726,276	4,068,950
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 22,031,152	\$ 21,616,832	\$ 16,341,362	\$ 21,791,088	\$ 24,993,550
District's contributions as a percentage of covered-employee payroll	19.10%	16.92%	16.15%	17.10%	16.28%
CalPERS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 4,512,416	\$ 3,748,333	\$ 3,360,802	\$ 3,351,823	\$ 2,974,013
District's contributions in relation to the statutorily required contribution	4,512,416	3,748,333	3,360,802	3,351,823	2,974,013
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 17,786,425	\$ 16,361,122	\$ 16,235,758	\$ 16,996,212	\$ 16,465,580
District's contributions as a percentage of covered-employee payroll	25.37%	22.91%	20.70%	19.72%	18.06%

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CalSTRS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 2,983,650	\$ 2,750,415	\$ 2,275,360	\$ 1,820,623
District's contributions in relation to the statutorily required contribution	2,983,650	2,750,415	2,275,360	1,820,623
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 20,676,715	\$ 21,863,394	\$ 21,205,592	\$ 20,502,511
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 2,568,760	\$ 2,053,570	\$ 1,728,665	\$ 1,547,781
District's contributions in relation to the statutorily required contribution	2,568,760	2,053,570	1,728,665	1,547,781
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 16,539,566	\$ 14,786,650	\$ 14,591,584	\$ 13,149,104
District's contributions as a percentage of covered-employee payroll	15.53%	13.89%	11.85%	11.77%

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The changes of economic assumptions reflect a change in the discount rate from 2.16% to 3.54% since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes of Assumptions* - There were no changes in assumptions since the previous valuation for CalSTRS. The plans discount rate was changed from 7.15 percent to 6.90 percent since the previous valuation for CalPERS.

Schedule of District Contributions – Pensions

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

SUPPLEMENTARY INFORMATION

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
ORGANIZATIONAL STRUCTURE
JUNE 30, 2023**

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.

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Mary Strobbridge	President	2024
Dr. Debra Stakes	Vice President	2024
Pete Sysak	Trustee	2026
Danna Stroud	Trustee	2024
Patrick Mullen	Trustee	2026
Zack Steven	Student Trustee	2023

ADMINISTRATION

Dr. Jill Stearns
President and District Superintendent

Dan Troy
Vice President, Administrative Services

Dr. Elizabeth Coria
Vice President, Student Success and Support Programs

Dr. Jason Curtis
Vice President, Instruction

Melissa Richerson
Vice President, Human Resources and Labor Relations

AUXILIARY ORGANIZATIONS IN GOOD STANDING

AUXILIARY NAME	DIRECTOR'S NAME	ESTABLISHMENT AND MASTER AGREEMENT DATE
Cuesta College Foundation	Shannon Hill, Executive Director	Organized as an auxiliary organization on April 18, 1973 and has a signed master agreement revised on May 2, 2022.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grant Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program</i>			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	n/a	\$ 7,390,066
Federal Pell Grant Program Administrative Allowance	84.063	n/a	7,598
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	n/a	252,858
Federal Work Study (FWS)	84.033	n/a	106,527
Federal Direct Student Loans	84.268	n/a	1,929,766
Subtotal Student Financial Aid Cluster			<u>9,686,815</u>
Higher Education Emergency Relief Fund			
COVID-19 HEERF - Institutional	84.425F	n/a	132,326
COVID-19 HEERF - Minority Serving Institutions	84.425L	n/a	992,143
Subtotal Higher Education Emergency Relief Fund			<u>1,124,469</u>
Title V: Higher Education Act; Integrating Academics, Support and Technology to Increase Student Success	84.031S	n/a	274,480
Title V: Increasing Student Access and Success through Guided Pathways	84.031S	n/a	815,922
Title IV: Childcare Access Means Parents In School (CCAMPIS)	84.335A	n/a	85,012
<i>Passed through California Community Colleges Chancellor's Office</i>			
Career and Technical Education Act (CTEA), Title I - Part C	84.048A	20-C01-640	449,963
<i>Passed through California Department of Education</i>			
Adult Basic Education & ELA (Section 231)	84.002A	14508	154,860
Adult Secondary Education	84.002	13978	14,465
Integrated English Literacy and Civics Education	84.002A	14109	55,220
Total U.S. Department of Education			<u>12,661,206</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Program</i>			
Forest Reserve	10.665	n/a	6,117
Cultivating Latinx Student Participation and Success in Agriculture Education	10.223	n/a	44,383
Total U.S. Department of Agriculture			<u>50,500</u>
NATIONAL SCIENCE FOUNDATION			
<i>Direct Program</i>			
GIS Technology: Mapping, Data Management, and Work-Based Learning Across Industry Sectors	47.076	n/a	21,833
Institutionalizing Undergraduate Research Education to Promote Student Engagement and Success	47.076	n/a	9,000
Collaborative Research: Enabling Transfer Student Access to Engineering	47.076	2019-15-51213	33,238
NSF LSAMP Louis Stokes B2B Alliance	47.076	n/a	33,588
Total National Science Foundation			<u>97,659</u>
FEDERAL AVIATION ADMINISTRATION			
<i>Direct Program</i>			
FAA Aviation Maintenance Technical Workers Grant Program	20.112	n/a	61,457
Total Federal Aviation Administration			<u>61,457</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through California Community Colleges Chancellor's Office:</i>			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	56,486
Title IV-E Foster Care	93.658	(1)	60,286
Total Department of Health and Human Services			<u>116,772</u>
Total Federal Programs			<u>\$ 12,987,594</u>

(1) - Pass-through entity identifying number not readily available.

n/a - Pass-through entity identifying number not applicable.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income	Total Revenue	
Adult Ed Block Grant	\$ 1,028,051	\$ -	\$ 444,313	\$ 583,738	\$ 583,738
Amazon Web Services Cloud Pilot Program	40,000	-	40,000	-	-
Basic Needs Center	527,507	-	248,419	279,088	279,088
Basic Skills	402,842	-	240,150	162,692	162,692
CalFresh Outreach (SB 85)	25,300	-	2,374	22,926	22,926
California Apprenticeship Initiative Subaward	76,812	-	54,316	22,496	22,496
CalWORKs	408,172	-	98,013	310,159	310,159
Campus Safety & Sexual Assault	2,614	-	1,066	1,548	1,548
CCAP Instructional Materials for Dual Enrollment	83,164	-	-	83,164	83,164
Classified Professional Development	45,866	-	45,866	-	-
College Corps Non-Dreamers	390,100	-	-	390,100	390,100
Coop Agencies Resources - Educ (CARE)	367,690	-	221,860	145,830	145,830
COVID Block Grant State Funds	4,945,848	-	4,935,848	10,000	10,000
Culturally Competent Faculty	200,418	-	200,418	-	-
Disabled Students Progrms/Svcs (DSPS)	1,469,930	-	838,373	631,557	631,557
DSS - Work Study	63,875	11,125	-	75,000	75,000
Econ Oppor Program and Svcs (EOPS)	926,606	-	323,933	602,673	602,673
EEO Best Practices	208,333	-	208,333	-	-
Equal Employment Opportunity	138,888	-	86,782	52,106	52,106
Financial Aid Technology	126,633	-	20,050	106,583	106,583
Foster and Kinship Care Education (FKCE)	301,023	-	75,322	225,701	225,701
Guided Pathways	599,940	-	39,334	560,606	560,606
Hunger-Free Campus	265	-	-	265	265
Information Technology and Cyber Security	362,040	-	250,682	111,358	111,358
Innovation and Effectiveness	83,633	-	-	83,633	83,633
Innovation Award	739,056	-	530,888	208,168	208,168
Instructional Equipment	300,000	-	300,000	-	-
Invention and Inclusive Innovation	110,000	15,000	51,731	73,269	73,269
LGBTQ+	93,124	-	89,812	3,312	3,312
Library Services Platform	7,861	-	-	7,861	7,861
Medical Healthcare Sevices-CAJC Los Alamitos (CA Military I	43,119	3,992	-	47,111	47,111
Medical Healthcare Sevices-Sunburst Los Alamitos (CA Milit	15,684	14,414	-	30,098	30,098
Medical Healthcare Sevices-SYA Los Alamitos (CA Military D	51,948	-	-	51,948	51,948
Mental Health Services Program	36,920	-	-	36,920	36,920
Mental Health Support Funds	451,561	-	304,510	147,051	147,051
MESA Grant	-	196	-	196	196
Nextup Program	754,803	-	754,803	-	-
Nursing Enrollment Growth & Retention	120,967	-	-	120,967	120,967
Regional Equity and Recovery Partnership	119,385	-	114,855	4,530	4,530
Rising Scholars CCCCCO	148,000	-	52,383	95,617	95,617
South Central Coast Regional Consortium EWD Employer Er	105,693	1,204	-	106,897	106,897
South Central Coast Regional Consortium Strong Workforce	2,753,918	-	1,815,024	938,894	938,894
Strong Workforce Program Local Funding	3,089,840	-	1,899,611	1,190,229	1,190,229
Student Equity Program	1,282,681	-	483,534	799,147	799,147
Student Financial Aid (BFAP)	519,711	-	282,610	237,101	237,101
Student Food and Housing Support	470,946	-	382,133	88,813	88,813
Student Retention and Outreach	1,641,649	-	1,470,646	171,003	171,003
Student Success (Credit)	1,829,840	-	596,664	1,233,176	1,233,176
Student Success (Non-Credit)	120,898	-	119,724	1,174	1,174
Student Success (Non-Credit) Carryover	13,858	-	-	13,858	13,858
Ticket 2 Teach	-	7,690	-	7,690	7,690
Undocumented Resources Liasons	113,992	-	24,966	89,026	89,026
Veteran's Resource Center Categorical	162,074	-	-	162,074	162,074
YESS, CA	16,504	5,988	-	22,492	22,492
Zero Textbook Cost Program - Implementation	180,000	-	180,000	-	-
Zero Textbook Cost Program - Planning	20,000	-	20,000	-	-
	\$ 28,139,582	\$ 59,609	\$ 17,849,346	\$ 10,349,845	\$ 10,349,845

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intercession (Summer 2022 only)			
1. Noncredit	134.63	-	134.63
2. Credit	574.51	-	574.51
B. Summer Intercession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit	-	-	-
2. Credit	16.01	-	16.01
C. Primary Terms (Exclusive of Summer Intercession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,266.44	-	2,266.44
(b) Daily Census Contact Hours	886.73	-	886.73
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	244.14	-	244.14
(b) Credit	17.62	-	17.62
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	1,820.40	-	1,820.40
(b) Daily Census Contact Hours	1,056.83	-	1,056.83
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	7,017.31	-	7,017.31
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Credit*	-	-	-
2. Noncredit*	287.81	-	287.81
Total Basic Skills FTES	287.81	-	287.81
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	273.70	-	273.70
Centers FTES			
1. Credit*	777.44	-	777.44
2. Noncredit*	110.85	-	110.85
Total Centers FTES	888.29	-	888.29

*Including Career Development and College Preparation (CDCP) FTES

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 11,471,832	\$ -	\$ 11,471,832	\$ 11,471,832	\$ -	\$ 11,471,832
Other	1300	9,023,950	-	9,023,950	9,023,950	-	9,023,950
Total Instructional Salaries		20,495,782	-	20,495,782	20,495,782	-	20,495,782
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	5,275,962	-	5,275,962
Other	1400	-	-	-	482,615	-	482,615
Total Non-Instructional Salaries		-	-	-	5,758,577	-	5,758,577
Total Academic Salaries		20,495,782	-	20,495,782	26,254,359	-	26,254,359
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	9,826,001	-	9,826,001
Other	2300	-	-	-	212,418	-	212,418
Total Non-Instructional Salaries		-	-	-	10,038,419	-	10,038,419
Instructional Aides							
Regular Status	2200	1,067,322	-	1,067,322	1,067,322	-	1,067,322
Other	2400	224,553	-	224,553	224,553	-	224,553
Total Instructional Aides		1,291,875	-	1,291,875	1,291,875	-	1,291,875
Total Classsified Salaries		1,291,875	-	1,291,875	11,330,294	-	11,330,294
Employee Benefits	3000	7,476,556	-	7,476,556	14,030,477	-	14,030,477
Supplies and Materials	4000	-	-	-	543,653	-	543,653
Other Operating Expenses	5000	893,647	-	893,647	7,738,473	-	7,738,473
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		30,157,860	-	30,157,860	59,897,256	-	59,897,256
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	220,786	-	220,786	220,786	-	220,786
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	147,260	-	147,260
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	174,610	-	174,610
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,831,002	-	1,831,002
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 220,786	\$ -	\$ 220,786	\$ 2,373,658	\$ -	\$ 2,373,658
Total for ECS 84362, 50% Law		\$ 29,937,074	\$ -	\$ 29,937,074	\$ 57,523,598	\$ -	\$ 57,523,598
Percent of CEE (Instructional Salary Cost/Total CEE)		52.04%	0.00%	52.04%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 28,761,799	\$ -	\$ 28,761,799

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

EPA Revenue	\$ 10,527,856
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 10,527,856	\$ -	\$ -	\$ 10,527,856
Total		\$ 10,527,856	\$ -	\$ -	\$ 10,527,856

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

Total Fund Equity - District Funds Included in the Reporting Entity

General Funds	\$	32,991,003	
Debt Service Funds		22,906,053	
Bond Construction Funds		54,672,179	
Capital Project Funds		9,321,565	
Child Development Fund		84,619	
Other Student and Trust Funds		7,736,204	
Internal Service Funds		622,716	\$ 128,334,339
<hr/>			
Total fund balances as reported in the CCFS-311			

Assets recorded within the statements of net position not included in the District fund financial statements:

Capital assets	\$	308,513,630	
Accumulated depreciation and amortization		(101,470,213)	207,043,417
<hr/>			

Unmatured Interest (2,508,218)

Deferred outflows recorded within the statement of net position not included in the District fund financial statements:

Deferred outflows from OPEB			907,502
Deferred outflows from pensions			18,728,632

Liabilities recorded within the statements of net position not recorded in the District fund financial statements:

General Obligation Bonds	\$	(156,300,000)	
Bond Premium		(15,530,893)	
Compensated absences		(1,636,423)	
Compensatory time		(26,953)	
Load banking		(554,435)	
Net OPEB liability		(1,944,782)	
Net pension liability		(61,302,111)	(237,295,597)
<hr/>			

Deferred inflows recorded within the statement of net position not included in the District fund financial statements:

Deferred inflows from OPEB			(538,445)
Deferred inflows from pensions			(9,905,352)
<hr/>			

Net Assets Reported Within the Statements of Net Position **\$ 104,766,278**

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES

Organizational Structure

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

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The District has elected not to use the 10% de minimis cost rate.

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

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

Reconciliation of the ECS 84362 (50 Percent Law) Calculation

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account Expenditures

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

OTHER INDEPENDENT AUDITORS' REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2023, 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 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



San Diego, California
December 27, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Luis Obispo County Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

CWDL, Certified Public Accountants

San Diego, California
December 27, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

Opinion 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 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual* for the year ended June 30, 2023. The applicable state compliance requirements are identified in the table below.

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, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements described in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 411 – SCFF Data Management Control Environment
Section 412 – SCFF Supplemental Allocation Metrics
Section 413 – SCFF Success Allocation Metrics
Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Activities Funded From Other Sources
Section 424 – Student Centered Funding Formula Base Allocation: FTES
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment (CCAP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 490 – Propositions 1D and 51 State Bond Funded Projects
Section 491 – Education Protection Account Funds
Section 492 – Student Representation Fee
Section 494 – State Fiscal Recovery Fund
Section 499 – COVID-19 Response Block Grant Expenditures

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 27, 2023

FINDINGS AND QUESTIONED COSTS SECTION

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Is a going concern emphasis-of-matter paragraph included in the auditors report?	No
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	No
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033 84.063, 84.268	Student Financial Aid Cluster
84.425F, 84.425L	Higher Education Emergency Relief Funds
84.031S	Title V, Higher Education Act

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Type of auditors' report issued on compliance for State programs:	Unmodified

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2023**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or recommendations identified during 2022-23.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2022-23.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATE COMPLIANCE FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2022-23.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023**

There were no findings or questioned costs identified during 2021-22.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

February 1, 2024

Board of Trustees
San Luis Obispo County Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$57,000,000 San Luis Obispo County Community College District (San Luis Obispo and Monterey Counties, California) Election of 2014 General Obligation Bonds, Series D (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, the requisite fifty-five percent or more vote of the qualified electors of the San Luis Obispo County Community College District (the “District”) voting at an election held on November 4, 2014, and a resolution adopted on December 6, 2023 by the Board of Trustees of the District (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the San Luis Obispo County Community College District (the “District”) in connection with the issuance of \$57,000,000 San Luis Obispo County Community College District (San Luis Obispo and Monterey Counties, California) Election of 2014 General Obligation Bonds, Series D (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Board of Trustees of the District adopted on December 6, 2023 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean KNN Public Finance LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Rulemaking Securities Board consistent with the Rule.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement, dated as of January 9, 2024, relating to the offer and sale of the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2023-24 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 business days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in a timely manner, in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports.

(a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) FTES of the District for the last completed fiscal year;
- (c) Outstanding District indebtedness;
- (d) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the then-current fiscal year;
- (e) Current assessed valuation of taxable property within the District; and
- (f) Secured tax levy collections and delinquencies, if the Teeter Plan, as adopted by San Luis Obispo County, no longer applies to the tax levy for general obligation bonds of the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. defeasances.
- 4. rating changes.
- 5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 6. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 7. unscheduled draws on credit enhancement reflecting financial difficulties.
- 8. substitution of the credit or liquidity providers or their failure to perform.
- 9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other

proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bond Holders.
3. optional, contingent or unscheduled Bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. appointment of a successor or additional paying agent with respect to the Bonds or the change of name of such a paying agent.
8. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file

any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the

financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: February 1, 2024

SAN LUIS OBISPO COUNTY COMMUNITY
COLLEGE DISTRICT

By _____
Assistant Superintendent/Vice President of
Administrative Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series D

Date of Issuance: February 1, 2024

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

SAN LUIS OBISPO COUNTY COMMUNITY
COLLEGE DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SAN LUIS OBISPO AND SAN LUIS OBISPO COUNTY

The following information regarding the City of San Luis Obispo (the “City”) and San Luis Obispo County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been independently verified by the District, the Underwriter or Bond Counsel.

General

City of San Luis Obispo. Located 200 miles north of Los Angeles and 220 miles south of San Francisco on the Central Coast of the State of California (the “State”), San Luis Obispo occupies approximately 10 square miles at the foot of the southern Santa Lucia mountain range. The City was first incorporated in 1856 and became a charter city in 1876. The City operates under a Council-Mayor-Administrative Officer form of government. The Council Members are elected at-large and serve four-year terms, the Mayor is also elected at-large for a two-year term and is an equal member of the Council. The Council appoints the City Manager and the City Attorney. All other department heads are appointed by the City Manager.

San Luis Obispo County. As one of the original 27 counties in the State and the fifteenth largest county in the State, the County encompasses 3,300 square miles and 100 miles of coastline midway between the metropolitan areas of San Francisco and Los Angeles. The County borders the Pacific Ocean to the west, Monterey County to the north, Santa Barbara County to the south, and Kern County to the east. The Santa Lucia Range dominates the western half of the County with the Los Padres National Forest located in the south central part of the County. San Luis Obispo County has many recreational areas and tourist attractions including the nationally known Hearst Castle in San Simeon. The County government is a general law form of government governed by a five-member elected Board of Supervisors each serving overlapping four-year terms. The county seat is the City.

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Population

The following table shows historical population figures for the City, the County and the State for the past 10 years of data that is currently available.

POPULATION ESTIMATES
2014 through 2023
City of San Luis Obispo, San Luis Obispo County and the State of California

<u>Year</u>	<u>City of San Luis Obispo</u>	<u>San Luis Obispo County</u>	<u>State of California</u>
2014	45,815	276,091	38,269,864
2015	46,036	276,858	38,556,731
2016	46,101	277,704	38,865,532
2017	46,270	278,361	39,103,587
2018	46,075	278,250	39,352,398
2019	45,972	277,850	39,519,535
2020	46,901	282,424	39,605,361
2021	47,163	278,723	39,538,223
2022	47,247	279,751	39,286,510
2023	47,788	278,348	39,078,674

Source: 2011-2020 (2010 Benchmark) California Department of Finance as of January 1. 2021-2023 (2020 Benchmark) California Department of Finance as of January 1.

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Income

The following table shows per capita personal income for the County, the State, and the United States for the past 10 years of data currently available.

PER CAPITA PERSONAL INCOME
2013 through 2022
San Luis Obispo County, State of California and United States

<u>Year</u>	<u>San Luis Obispo County</u>	<u>State of California</u>	<u>United States</u>
2013	\$45,257	\$48,502	\$44,798
2014	47,744	51,266	46,887
2015	50,645	54,546	48,725
2016	51,694	56,560	49,613
2017	54,210	58,804	51,550
2018	55,913	61,508	53,786
2019	58,963	64,174	55,547
2020	63,024	70,061	59,153
2021	68,717	76,991	64,430
2022	67,951	77,036	65,470

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables list the principal employers located in the City and the County for the periods shown below.

PRINCIPAL EMPLOYERS

As of June 30, 2022

City of San Luis Obispo

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Cal Poly State University	Educational Services	3,100
County of San Luis Obispo	Public Administration	2,920
Atascadero State Hospitals	Health Services	2,140
Pacific Gas & Electric Co.	Public Utilities	1,950
California Men's Colony	Justice, Public Order, and Safety	1,500
Tenet Health Care Corp.	Health Services	1,305
Compass Health	Health Services	1,200
San Luis Coastal Unified School District	Educational Services	1,200
Dignity Health Central Coast	Health Services	1,000
Lucia Mar Unified School District	Educational Services	1,000

Source: City of San Luis Obispo 'Annual Comprehensive Financial Report' for Fiscal Year Ended June 30, 2022.

PRINCIPAL EMPLOYERS

As of June 30, 2022

San Luis Obispo County

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
County of San Luis Obispo	Public Administration	2,847
Atascadero State Hospitals	Health Services	2,300
California Men's Colony	Justice, Public Order, and Safety	2,000
Cal Poly State University	Educational Services	1,912
Pacific Gas & Electric Co.	Public Utilities	1,700
Tenet Health Care Corp.	Health Services	1,312
Lucia Mar Unified School District	Educational Services	1,070
Community Action Partnership of SLO County	Health Services	942
Paso Robles Public School	Educational Services	935
Cuesta College	Educational Services	854

Source: County of San Luis Obispo, 'Annual Comprehensive Financial Report' for Fiscal Year Ended June 30, 2022.

Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years of data currently available for the City, the County and the State.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2018 through 2022⁽¹⁾
City of San Luis Obispo, San Luis Obispo County and State of California

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment⁽³⁾</u>	<u>Unemployment Rate (%)</u>
<u>2018</u>				
City of San Luis Obispo	25,300	24,600	600	2.6
San Luis Obispo County	140,100	135,900	4,200	3.0
State of California	19,289,500	18,469,900	819,600	4.2
<u>2019</u>				
City of San Luis Obispo	25,300	24,700	600	2.5
San Luis Obispo County	139,900	135,900	4,100	2.9
State of California	19,413,200	18,617,900	795,300	4.1
<u>2020</u>				
City of San Luis Obispo	24,600	22,700	1,900	7.7
San Luis Obispo County	134,400	123,900	10,500	7.8
State of California	18,971,600	17,047,600	1,924,000	10.1
<u>2021</u>				
City of San Luis Obispo	24,700	23,500	1,200	5.0
San Luis Obispo County	135,400	128,200	7,200	5.3
State of California	18,973,400	17,586,300	1,387,100	7.3
<u>2022</u>				
City of San Luis Obispo	25,000	24,400	700	2.6
San Luis Obispo County	137,200	133,000	4,200	3.0
State of California	19,252,000	18,440,900	811,100	4.2

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2021 Benchmark.

Industry

The County is included in the San Luis Obispo – Paso Robles – Arroyo Grande Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for the last five calendar years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2018 through 2022
San Luis Obispo County (San Luis Obispo – Paso Robles – Arroyo Grande MSA)

<u>Category</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Farm	5,200	5,000	4,800	5,000	5,700
Mining, Logging and Construction	7,900	8,300	8,500	9,100	9,000
Manufacturing	7,700	7,800	7,300	7,900	8,200
Wholesale Trade	2,700	2,700	2,500	2,600	2,600
Retail Trade	14,300	14,000	12,900	13,500	13,800
Transportation, Warehousing and Utilities	4,100	4,100	3,700	3,700	3,800
Information	1,200	1,200	1,100	1,200	1,300
Financial Activities	3,900	3,900	3,800	3,900	3,900
Professional and Business Services	10,900	11,200	10,500	11,000	10,900
Educational and Health Services	17,700	18,200	17,000	17,500	18,100
Leisure and Hospitality	19,200	19,800	15,400	17,400	19,600
Other Services	4,000	4,100	3,300	3,400	3,700
Government	<u>24,300</u>	<u>24,500</u>	<u>23,500</u>	<u>23,200</u>	<u>23,800</u>
Total, All Industries	<u>123,100</u>	<u>124,700</u>	<u>114,400</u>	<u>119,300</u>	<u>124,300</u>

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

Source: *State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2022 Benchmark.*

Commercial Activity

Summaries of annual taxable sale date for the past five years of data currently available for the City and County are shown in the following tables.

ANNUAL TAXABLE SALES
2018 through 2022
City of San Luis Obispo
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2018	1,325	\$1,278,160	2,357	\$1,513,969
2019	1,340	1,259,167	2,396	1,538,822
2020	1,426	1,159,290	2,568	1,372,865
2021	1,292	1,444,247	2,342	1,806,306
2022	1,260	1,517,654	2,394	1,859,569

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA").

ANNUAL TAXABLE SALES
2018 through 2022
San Luis Obispo County
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2018	12,802	\$11,674,214	22,554	\$17,547,097
2019	12,817	12,034,591	22,908	18,286,057
2020	13,350	10,659,164	23,985	15,940,068
2021	11,947	12,714,641	21,396	19,538,725
2022	11,838	13,969,703	21,402	21,851,586

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA").

.Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years of data currently available for the City and County are shown in the following tables.

BUILDING PERMIT VALUATIONS 2018 through 2022 City of San Luis Obispo (Dollars in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$55,474	\$68,309	\$71,070	\$76,855	\$93,795
Non-Residential	<u>44,607</u>	<u>49,241</u>	<u>27,633</u>	<u>25,150</u>	<u>25,150</u>
Total	\$100,081	\$117,550	\$98,703	\$102,005	\$118,945
Units					
Single Family	134	166	247	168	195
Multi Family	<u>101</u>	<u>169</u>	<u>55</u>	<u>244</u>	<u>235</u>
Total	235	335	302	412	430

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS 2018 through 2022 San Luis Obispo County (Dollars in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$267,300	\$410,042	\$297,569	\$315,644	\$336,138
Non-Residential	<u>167,767</u>	<u>131,602</u>	<u>78,776</u>	<u>93,262</u>	<u>93,262</u>
Total	\$435,067	\$541,644	\$376,345	\$408,906	\$429,400
Units					
Single Family	636	697	861	741	678
Multiple Family	<u>207</u>	<u>204</u>	<u>79</u>	<u>288</u>	<u>401</u>
Total	843	901	940	1,029	1,079

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

APPENDIX E

SAN LUIS OBISPO COUNTY TREASURY POOL

The following information concerning the San Luis Obispo County Treasury Pool (the “Treasury Pool”) has been provided by the Auditor-Controller-Treasurer-Tax Collector-Public Administrator (the “Treasurer”) of San Luis Obispo County (the “County”), and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer’s website at <http://www.slocounty.ca.gov/departments/auditor-controller-treasurer-tax-collector/treasurer>; however, the information presented on such website is not incorporated herein by any reference.

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QUARTERLY REPORT OF INVESTMENTS
QUARTER ENDING SEPTEMBER 30, 2023

DESCRIPTION

This is a summary of the Treasurer's investment operations for the quarter ending September 30, 2023, and a statement of compliance to the currently adopted County Treasurer's Investment Policy.

SUMMARY

As of September 30, 2023, the Combined Pool of Investments totals were:

Cash on Hand/Banks	\$	17,063,982.73
Investments:		
Principal Cost	\$	1,552,621,742.81
Market Value	\$	1,510,935,774.42
Weighted Average Days to Maturity		400

The details of each investment held by the Treasury as of September 30, 2023, can be found on the Treasury Pool Detail Report attached to this summary. The market value information for this report came from U.S. Bank, Broker/Dealer provided estimates, or was derived through market value calculations.

FOR FINANCIAL STATEMENT REPORTING PURPOSES ONLY					
Amortized Cost	\$	1,551,200,293.43	Market Value	\$	1,510,935,774.42
Cash on Hand/Banks	\$	17,063,982.73	Cash on Hand/Banks	\$	17,063,982.73
Accrued Interest	\$	6,340,884.19	Accrued Interest	\$	6,340,884.19
Total in Treasury	\$	1,574,605,160.35	Total Market Value	\$	1,534,340,641.34
Participating Dollar Factor: 0.974428815538 (Derived by dividing total market value by total amount in Treasury)					
The value of each participating dollar equals the agency's fund balance as of September 30, 2023, (available from the County Auditor-Controller's Office) multiplied by the participating dollar factor.					
This equates to approximately a \$2,557.12 decrease per \$100,000.					

SEPARATELY MANAGED FUNDS

As of September 30, 2023, the moneys being managed by contracted parties were:

Principal Cost	\$	83,883,030.47
Market Value	\$	83,905,053.90

The details of the funds being managed by contracted parties can be found on the Separately Managed Funds Detail Report attached to this summary.

STATEMENT OF COMPLIANCE

LIQUIDITY

The Treasury will be able to meet the expenditures of the County for the next six months due to anticipated revenues, cash flow from operations, and scheduled maturities in anticipation of expenditures. In addition, portions of the portfolio can be liquidated to meet any significant unexpected cash flow needs.

INVESTMENT

The investment portfolio as of the quarter ending September 30, 2023, was reviewed and found to be in compliance with the current County Treasurer's Investment Policy. The Treasury continues to maintain its conservative and prudent investment objectives, which in order of priority are safety, liquidity, and yield, while maintaining compliance with federal, state, and local laws and regulations.

REPORT FILING/DISTRIBUTION

In compliance with the California Government Code this report is submitted to:

Board of Supervisors
County Administrative Officer
County Treasury Oversight Committee

Respectfully submitted,

Respectfully submitted on October 19, 2023

/S/ JAMES W. HAMILTON, CPA

Auditor, Controller, Treasurer, Tax Collector

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 9/30/2023 PORTFOLIO
AS OF: 10/1/2023 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instru ment	Invest. No.	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val (incls Acc. Int)
10/01/2023	CT	CT - STF	32	69,773,365.59	69,773,365.59	0.00	69,773,365.59	69,773,365.59	69,541,301.43	69,541,301.43
CALTRUST				69,773,365.59	69,773,365.59	0.00	69,773,365.59	69,773,365.59	69,541,301.43	69,541,301.43
10/12/2023	UB	FFCB	22-0017	24,851,500.00	24,864,187.50	34,034.72	25,031,582.01	25,000,000.00	24,964,500.00	24,998,534.72
11/27/2023	ZB	FFCB	21-0017	20,000,000.00	20,001,527.78	17,222.22	20,017,222.22	20,000,000.00	19,841,000.00	19,858,222.22
12/20/2023	UB	FFCB	22-0020	19,991,600.00	19,991,600.00	38,155.56	20,037,235.01	20,000,000.00	19,786,800.00	19,824,955.56
03/18/2024	WF	FFCB	21-0032	19,976,560.00	19,979,726.67	2,166.67	19,998,485.08	20,000,000.00	19,535,400.00	19,537,566.67
05/16/2024	UB	FFCB	22-0030	5,856,168.50	5,901,983.50	40,162.50	5,961,901.48	5,950,000.00	5,815,292.00	5,855,454.50
07/23/2024	UB	FFCB	22-0005	9,380,723.75	9,394,936.25	8,053.75	9,454,373.62	9,475,000.00	9,103,769.50	9,111,823.25
12/09/2024	UB	FFCB	22-0019	11,475,045.00	11,477,102.22	32,915.56	11,522,947.32	11,500,000.00	10,896,250.00	10,929,165.56
01/06/2025	UB	FFCB	22-0025	12,723,607.05	12,759,644.08	35,208.60	13,045,153.89	13,255,000.00	12,571,307.10	12,606,515.70
01/21/2025	ZB	FFCB	22-0022	24,282,100.00	24,338,933.33	64,166.67	24,732,614.78	25,000,000.00	23,731,750.00	23,795,916.67
02/21/2025	WF	FFCB	23-0026	24,911,400.00	24,944,386.11	131,944.44	25,069,569.06	25,000,000.00	24,731,750.00	24,863,694.44
03/10/2025	ZB	FFCB	23-0031	20,010,000.00	20,010,000.00	46,666.67	20,054,180.95	20,000,000.00	19,601,800.00	19,648,466.67
10/20/2025	ZB	FFCB	23-0006	19,998,000.00	19,998,000.00	402,500.00	20,401,131.38	20,000,000.00	19,764,600.00	20,167,100.00
03/02/2026	ZB	FFCB	23-0028	14,911,845.15	14,919,345.15	54,375.00	14,983,092.29	15,000,000.00	14,841,450.00	14,895,825.00
06/16/2026	WF	FFCB	23-0003	24,444,650.00	24,461,663.89	255,208.33	24,851,947.58	25,000,000.00	24,075,000.00	24,330,208.33
07/27/2026	UB	FFCB	23-0011	10,057,800.00	10,059,050.00	80,000.00	10,123,519.01	10,000,000.00	9,870,100.00	9,950,100.00
08/03/2026	UB	FFCB	23-0004	11,433,159.70	11,487,204.70	58,048.33	11,642,597.82	12,010,000.00	11,388,002.10	11,446,050.43
10/19/2026	UB	FFCB	23-0007	6,460,155.00	6,460,155.00	124,312.50	6,593,931.03	6,500,000.00	6,377,735.00	6,502,047.50
FEDERAL FARM CREDIT BANKS				280,764,314.15	281,049,446.18	1,425,141.52	283,521,484.53	283,690,000.00	276,896,505.70	278,321,647.22
11/01/2023	ZB	FHLB	23-0009	14,998,500.00	14,998,500.00	289,062.50	15,288,935.09	15,000,000.00	14,987,850.00	15,276,912.50
12/07/2023	ZB	FHLB	23-0014	14,999,671.80	14,999,671.80	231,562.50	15,231,502.26	15,000,000.00	14,978,550.00	15,210,112.50
12/08/2023	ZB	FHLB	21-0011	14,937,000.00	14,937,625.00	5,885.42	15,002,050.17	15,000,000.00	14,851,200.00	14,857,085.42
01/16/2024	ZB	FHLB	23-0025	4,830,000.00	4,830,000.00	48,400.62	4,878,400.62	4,830,000.00	4,818,456.30	4,866,856.92
02/13/2024	WF	FHLB	22-0016	2,418,204.48	2,437,944.76	7,766.67	2,352,839.61	2,330,000.00	2,304,137.00	2,311,903.67
03/08/2024	UB	FHLB	22-0024	25,371,500.00	25,439,208.33	51,909.72	25,136,293.30	25,000,000.00	24,755,750.00	24,807,659.72
04/15/2024	ZB	FHLB	23-0020	9,798,530.00	9,798,530.00	213,517.50	10,012,922.85	9,800,000.00	9,758,546.00	9,972,063.50
06/14/2024	WF	FHLB	21-0015	19,635,804.00	19,877,304.00	153,812.50	18,479,705.23	18,000,000.00	17,655,120.00	17,808,932.50
06/14/2024	ZB	FHLB	23-0013	11,297,740.00	11,297,740.00	163,732.29	11,462,739.44	11,300,000.00	11,232,765.00	11,396,497.29
06/14/2024	ZB	FHLB	23-0015	10,022,230.20	10,062,855.20	144,895.83	10,155,189.81	10,000,000.00	9,940,500.00	10,085,395.83
07/30/2024	UB	FHLB	23-0032	19,372,954.00	19,389,991.61	148,470.61	19,494,812.46	19,300,000.00	19,146,758.00	19,295,228.61
08/15/2024	WF	FHLB	21-0039	20,718,840.00	20,768,006.67	38,333.33	20,226,446.49	20,000,000.00	19,325,200.00	19,363,533.33
09/13/2024	WF	FHLB	21-0012	20,641,947.76	20,656,048.87	2,590.00	20,703,188.46	20,720,000.00	19,720,052.80	19,722,642.80
09/13/2024	WF	FHLB	23-0027	19,919,760.00	20,228,510.00	48,750.00	19,999,064.02	20,000,000.00	19,880,400.00	19,929,150.00
12/13/2024	WF	FHLB	22-0007	19,903,380.00	19,916,713.33	45,000.00	20,006,649.05	20,000,000.00	18,915,600.00	18,960,600.00
03/14/2025	ZB	FHLB	23-0033	20,150,000.00	20,288,750.00	43,680.56	20,156,767.33	20,000,000.00	19,770,400.00	19,814,080.56
04/14/2025	WF	FHLB	21-0040	6,394,750.60	6,397,148.73	14,832.85	6,409,735.28	6,395,000.00	5,948,565.05	5,963,397.90
04/28/2025	WF	FHLB	22-0002	8,256,732.90	8,257,506.19	23,662.73	8,309,583.66	8,310,000.00	7,750,737.00	7,774,399.73
06/13/2025	UB	FHLB	22-0031	2,777,747.50	2,808,064.34	25,781.26	2,790,764.92	2,750,000.00	2,655,207.50	2,680,988.76
06/13/2025	UB	FHLB	23-0010	2,717,606.40	2,717,936.35	35,634.38	2,752,322.16	2,715,000.00	2,675,822.55	2,711,456.93
09/12/2025	UB	FHLB	22-0013	16,237,141.20	16,307,388.14	14,666.94	16,080,411.67	15,880,000.00	14,900,998.00	14,915,664.94
09/12/2025	UB	FHLB	22-0004	12,360,960.00	12,390,710.00	11,083.33	12,193,484.69	12,000,000.00	11,260,200.00	11,271,283.33
12/12/2025	UB	FHLB	23-0018	10,115,400.00	10,164,150.00	136,250.00	10,220,799.45	10,000,000.00	9,872,300.00	10,008,550.00
FEDERAL HOME LOAN BANKS				307,876,400.84	308,970,303.32	1,899,281.54	307,344,608.02	304,330,000.00	297,105,115.20	299,004,396.74
10/01/2023	ST	LAIF	1	36,500,000.00	36,500,000.00	478,655.63	36,978,655.63	36,500,000.00	36,000,232.47	36,478,888.10
LOCAL AGENCY INVESTMENT FUND				36,500,000.00	36,500,000.00	478,655.63	36,978,655.63	36,500,000.00	36,000,232.47	36,478,888.10
10/01/2023	FSB	PLCMT DEP - ICS	37	100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00
PLACEMENT SERVICE DEPOSITS				100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00
10/01/2023	FSB	PIMMA	36	45,000,000.00	45,000,000.00	0.00	45,000,000.00	45,000,000.00	45,000,000.00	45,000,000.00
10/01/2023	PPB	PIMMA	39	50,000,000.00	50,000,000.00	0.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
PIMMA				95,000,000.00	95,000,000.00	0.00	95,000,000.00	95,000,000.00	95,000,000.00	95,000,000.00

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 9/30/2023 PORTFOLIO
AS OF: 10/1/2023 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instru ment	Invest. No.	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val (incls Acc. Int)
10/04/2023	UB	SUPRA - IADB	23-0019	9,862,000.00	9,918,666.67	147,500.00	10,146,101.35	10,000,000.00	9,999,100.00	10,146,600.00
11/15/2023	WF	SUPRA - IADB	21-0002	14,991,405.00	14,991,613.33	14,166.67	15,013,835.22	15,000,000.00	14,907,150.00	14,921,316.67
01/16/2024	WF	SUPRA - IADB	21-0009	21,476,600.00	21,631,183.33	109,375.00	20,244,414.45	20,000,000.00	19,830,200.00	19,939,575.00
02/21/2024	WF	SUPRA - IADB	21-0021	5,425,300.00	5,471,133.33	16,666.67	5,068,781.43	5,000,000.00	4,950,300.00	4,966,966.67
03/19/2024	UB	SUPRA - IBRD	21-0018	15,641,450.46	15,722,500.46	12,157.50	14,750,753.29	14,589,000.00	14,378,918.40	14,391,075.90
08/28/2024	UB	SUPRA - IBRD	21-0019	20,866,600.00	20,950,766.67	27,500.00	20,239,363.92	20,000,000.00	19,270,600.00	19,298,100.00
10/15/2024	WF	SUPRA - IADB	21-0010	14,971,395.00	14,971,395.00	23,516.67	15,015,931.28	15,000,000.00	14,178,450.00	14,201,966.67
10/16/2024	UB	SUPRA - IFC	21-0013	15,583,200.00	15,600,387.50	94,531.25	15,249,915.28	15,000,000.00	14,364,600.00	14,459,131.25
11/19/2024	WF	SUPRA - IFC	21-0014	15,000,000.00	15,000,000.00	23,375.00	15,023,375.00	15,000,000.00	14,095,350.00	14,118,725.00
11/25/2024	UB	SUPRA - IBRD	21-0029	21,700,000.00	21,738,888.89	175,000.00	20,674,441.72	20,000,000.00	19,323,800.00	19,498,800.00
03/11/2025	WF	SUPRA - IBRD	21-0030	25,106,500.00	25,110,145.83	10,416.67	25,049,017.42	25,000,000.00	23,393,250.00	23,403,666.67
04/03/2025	UB	SUPRA - IADB	21-0038	3,482,438.61	3,482,941.88	14,930.37	3,477,814.38	3,451,000.00	3,228,686.58	3,243,616.95
04/03/2025	UB	SUPRA - IADB	21-0033	7,562,175.00	7,563,086.46	32,447.92	7,555,934.36	7,500,000.00	7,016,850.00	7,049,297.92
04/03/2025	UB	SUPRA - IADB	21-0036	10,092,300.00	10,093,758.33	43,263.89	10,078,153.94	10,000,000.00	9,355,800.00	9,399,063.89
10/17/2025	WF	SUPRA - IFC	23-0023	14,990,220.00	14,990,220.00	510,000.00	15,502,968.57	15,000,000.00	14,614,200.00	15,124,200.00
12/22/2025	WF	SUPRA - IFC	23-0034	14,044,786.00	14,216,461.00	155,925.00	14,192,853.01	14,000,000.00	13,586,440.00	13,742,365.00
04/20/2026	UB	SUPRA - IADB	23-0024	13,509,150.00	13,528,837.50	58,697.92	13,922,580.02	15,000,000.00	13,534,950.00	13,593,647.92
07/23/2026	UB	SUPRA - IADB	23-0030	6,386,214.00	6,403,163.78	26,195.11	6,504,742.57	6,934,000.00	6,399,804.64	6,425,999.75
03/10/2027	WF	SUPRA - IADB	23-0037	15,369,600.00	15,429,600.00	39,375.00	15,364,457.36	15,000,000.00	14,804,250.00	14,843,625.00
SUPRANATIONALS				266,061,334.07	266,814,749.96	1,535,040.64	263,075,434.57	261,474,000.00	251,232,699.62	252,767,740.26
10/15/2023	ZB	T-NOTE	21-0022	14,969,531.25	14,972,415.87	8,657.78	15,008,247.25	15,000,000.00	14,971,950.00	14,980,607.78
01/15/2024	UB	T-NOTE	23-0017	14,286,328.13	14,293,817.94	3,974.18	14,815,792.04	15,000,000.00	14,775,600.00	14,779,574.18
02/15/2024	UB	T-NOTE	22-0014	19,753,125.00	19,761,277.17	3,192.93	19,960,596.10	20,000,000.00	19,612,600.00	19,615,792.93
04/30/2024	ZB	T-NOTE	21-0031	10,507,812.50	10,586,265.54	83,695.65	10,178,547.00	10,000,000.00	9,803,100.00	9,886,795.65
05/15/2024	UB	T-NOTE	22-0011	14,790,234.38	14,792,720.57	14,164.40	14,960,541.87	15,000,000.00	14,521,350.00	14,535,514.40
07/31/2024	UB	T-NOTE	23-0029	14,572,265.63	14,614,530.82	75,815.22	14,822,343.01	15,000,000.00	14,694,750.00	14,770,565.22
07/31/2024	UB	T-NOTE	21-0037	15,852,539.06	15,911,534.23	53,702.45	15,267,894.09	15,000,000.00	14,590,950.00	14,644,652.45
11/15/2024	UB	T-NOTE	22-0018	7,952,500.00	7,957,638.12	22,663.04	8,004,332.07	8,000,000.00	7,598,720.00	7,621,383.04
01/31/2025	WF	T-NOTE	21-0034	15,458,203.13	15,495,806.72	34,748.64	15,195,037.65	15,000,000.00	14,242,950.00	14,277,698.64
02/28/2025	UB	T-NOTE	21-0035	15,308,789.06	15,326,214.33	14,371.57	15,126,342.88	15,000,000.00	14,158,650.00	14,173,021.57
05/31/2025	UB	T-NOTE	22-0009	19,434,375.00	19,435,473.90	16,803.28	19,746,015.89	20,000,000.00	18,442,200.00	18,459,003.28
06/15/2025	UB	T-NOTE	23-0012	9,567,968.75	9,679,512.47	84,836.07	9,802,702.46	10,000,000.00	9,627,300.00	9,712,136.07
07/15/2025	UB	T-NOTE	23-0008	14,418,750.00	14,533,695.65	95,380.43	14,716,581.77	15,000,000.00	14,455,050.00	14,550,430.43
07/31/2025	UB	T-NOTE	22-0008	9,708,593.75	9,717,085.60	4,211.96	9,858,290.73	10,000,000.00	9,156,300.00	9,160,511.96
07/31/2025	UB	T-NOTE	22-0027	18,415,625.00	18,425,431.63	8,423.91	19,129,529.32	20,000,000.00	18,312,600.00	18,321,023.91
08/15/2025	ZB	T-NOTE	22-0029	9,743,359.38	9,778,718.50	25,543.48	9,880,826.10	10,000,000.00	9,448,800.00	9,474,343.48
08/31/2025	ZB	T-NOTE	22-0010	14,503,125.00	14,513,484.12	3,193.68	14,747,637.10	15,000,000.00	13,686,900.00	13,690,093.68
10/31/2025	ZB	T-NOTE	22-0012	24,138,671.88	24,145,577.96	26,154.89	24,564,880.65	25,000,000.00	22,669,000.00	22,695,154.89
11/30/2025	UB	T-NOTE	22-0015	19,421,875.00	19,424,759.62	25,204.92	19,709,173.90	20,000,000.00	18,121,200.00	18,146,404.92
01/31/2026	UB	T-NOTE	22-0028	10,976,250.00	10,985,324.59	7,581.52	11,378,432.57	12,000,000.00	10,802,400.00	10,809,981.52
02/15/2026	UB	T-NOTE	22-0023	19,206,250.00	19,252,935.08	41,508.15	19,552,526.60	20,000,000.00	18,526,600.00	18,568,108.15
03/31/2026	WF	T-NOTE	23-0022	18,925,000.00	19,016,483.52	1,229.51	19,186,943.80	20,000,000.00	18,768,800.00	18,770,029.51
04/30/2026	UB	T-NOTE	23-0016	13,463,671.88	13,474,859.73	47,078.80	13,880,905.47	15,000,000.00	13,512,300.00	13,559,378.80
05/15/2026	UB	T-NOTE	23-0005	13,646,484.38	13,735,903.54	92,068.61	14,115,210.06	15,000,000.00	13,808,250.00	13,900,318.61
11/15/2026	ZB	T-NOTE	23-0021	18,606,250.00	18,637,189.23	151,086.96	19,041,339.05	20,000,000.00	18,396,200.00	18,547,286.96
02/15/2027	UB	T-NOTE	23-0035	19,018,750.00	19,087,120.17	57,472.83	19,196,959.85	20,000,000.00	18,455,400.00	18,512,872.83
TREASURY NOTE				396,646,328.16	397,555,776.62	1,002,764.86	401,847,629.28	410,000,000.00	385,159,920.00	386,162,684.86
TOTALS				1,552,621,742.81	1,555,663,641.67	6,340,884.19	1,557,541,177.62	1,560,767,365.59	1,510,935,774.42	1,517,276,658.61
QUARTERLY SUMMARY TOTALS				1,552,621,742.81					1,510,935,774.42	

JAMES W. HAMILTON, CPA

SAN LUIS OBISPO COUNTY TREASURER

TREASURY POOL DETAIL REPORT - 9/30/2023 PORTFOLIO

AS OF: 10/1/2023 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

TREASURY POOL DETAIL REPORT DEFINITIONS/CODES

Code	Broker/Bank/Issuer	The name of the broker or bank from which the instrument was purchased or issued
CT	CalTrust	
FHN	FHN Financial Capital Markets	
FSB	Five Star Bank	
IBRD	International Bank of Reconstruction and Development (World Bank)	
IADB	Inter-American Development Bank	
IFC	International Finance Corporation	
PPB	Pacific Premier Bank	
PWB	Pacific Western Bank	
SLO	County of San Luis Obispo	
ST	State of California	
UBIS	UnionBank Investment Services	
WF	Wells Fargo Institutional Sec., LLC	
ZB	Zions First National Bank	

Code	Instrument	Type of investment purchased from a broker.
CT-STF	CalTrust Short-Term Fund	
FFCB	Federal Farm Credit Bank	
FHLB	Federal Home Loan Bank	
LAIF	Local Agency Investment Fund	
CPP-NOTE	County Pension Prefund Note	
PIMMA	Public Investment Money Market Account (interest bearing deposit account secured by collateral per CGC section 53651 et.	
T-NOTE	Treasury Note	
SUPRA	Supranational	
PLCMT DEP-ICS	Placement Service Deposits - Insured Cash Sweep (FDIC insured)	

Principal Cost - The amount invested in an instrument excluding any purchased accrued interest.

Purchase Price - The amount paid for an instrument which includes the principal cost and any purchased accrued interest.

Carrying Value - The principal cost of an instrument amortized through quarter end including any accrued interest.

Par - The full value of an instrument.

Market Value - Current market value price of an investment priced as of the last day of the quarter.

Market Value (incl. acc. int.) - Current market value price of an investment plus any accrued interest.

JAMES W. HAMILTON, CPA

SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

SEPARATELY MANAGED FUNDS DETAIL REPORT

AS OF: 09/30/23

		Principal Cost	Market Value
Trustee Name:	The Bank of New York Mellon Trust Co., N.A.		
Accounts:	Service Account	0.00	0.00
	Principal Account	0.00	0.00
	Interest Account	3.00	3.00
	Series A, B, C Bond Fund	8,668.77	8,668.77
Money held in conjunction with: SLO 03 Series A,B,C			
	Pension Trust Obligation Bond		
		8,671.77	8,671.77
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Revenue Fund	781.62	781.62
	Interest Account	1.43	1.43
	Principal Account	2.06	2.06
	Reserve Fund	0.00	0.00
	Debt Service Fund	701.02	701.02
Money held in conjunction with: SLO County Revenue Bonds			
	2011 Series A-Lopez Dam Imp Refunding		
		1,486.13	1,486.13
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	239,969.89	239,969.89
	Reserve Fund	0.00	0.00
Money held in conjunction with: SLO County COP 07 Series A			
	(Paso Robles Courthouse Project)		
		239,969.89	239,969.89
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Redemption Fund	0.00	0.00
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Refunding Bonds 2012 Ser A		
		0.00	0.00
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	07 Series A & B Revenue Fund	9,677.83	9,677.83
	07 Series A & B Interest Account	573,360.33	573,360.33
	07 Series A & B Principal Account	0.00	0.00
	07 Series A & B Redemption Fund	0.00	0.00
	07 Series A Reserve Fund	9,405,361.00	9,427,384.43
	07 Series A Project Fund	0.01	0.01
	07 Series A Rebate Fund	155,601.42	155,601.42
	07 Series B Reserve Fund	0.00	0.00
Money held in conjunction with: SLO County Rev Bond Ser A & B			
	(Nacimiento Water Project)		
		10,144,000.59	10,166,024.02

JAMES W. HAMILTON, CPA

SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

SEPARATELY MANAGED FUNDS DETAIL REPORT

AS OF: 09/30/23

		Principal Cost	Market Value
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	570.28	570.28
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	1,456,406.61	1,456,406.61
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Bonds 2020 Ser A		
		1,456,976.89	1,456,976.89
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	140.85	140.85
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Refunding Bonds 2020 Ser B		
		140.85	140.85
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	3,319.89	3,319.89
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	68,400,867.52	68,400,867.52
	Cost of Issuance	0.00	0.00
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Bonds 2022 Ser A		
		68,404,187.41	68,404,187.41
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	152.54	152.54
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	3,627,444.40	3,627,444.40
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Bonds 2022 Ser B		
	(Cayucos Veterans Hall Project)		
TOTAL:		3,627,596.94	3,627,596.94
GRAND TOTAL:		83,883,030.47	83,905,053.90

