



ALLAN HANCOCK JOINT
COMMUNITY COLLEGE
DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Allan Hancock Joint Community College District
Santa Maria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Allan Hancock Joint Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 11, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 59, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 60, and the Schedule of District Contributions on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vauinek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 18, 2015



This section of Allan Hancock Community College District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB Statement No. 34) and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities* (GASB Statement No. 35). These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type.

The financial statements presented herein include all of the activities of the District and its component unit. Separate financial statements for the blended component unit, Allan Hancock College Auxiliary Programs Corporation (the Corporation), can be obtained from the District's business office at 800 South College Drive, Santa Maria, CA 93454-6399.

The *Entity-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by GASB Statements No. 34 and No. 35 in regards to interfund activity, payables, and receivables.

The District's audited financial statements include:

- 1) A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- 2) Financial statements prepared using full accrual accounting for all of the District's activities that reflect the entity-wide financial picture as opposed to individual fund financial statements.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows

The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in it. Net position is the difference between assets and deferred outflows and liabilities and deferred inflows, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the District facilities will likely be important components in this evaluation.

The *Statement of Cash Flows* provides an analysis of the sources and uses of all cash within the operations of the District.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

FINANCIAL HIGHLIGHTS

Net Position

The District's net position was \$65.3 million for the fiscal year ended June 30, 2015. Of this amount, \$(32.7) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board's ability to use that net position for day-to-day operations. Our analysis below focuses on net position and change in net position of the District's business-type activities.

(Amounts in thousands)

	2015	2014 as restated	Change
ASSETS			
Current Assets			
Cash and investments	\$ 41,897	\$ 47,956	\$ (6,059)
Accounts receivable and other assets	3,313	7,674	(4,361)
Total Current Assets	<u>45,210</u>	<u>55,630</u>	<u>(10,420)</u>
Net other postemployment benefits (OPEB) asset	6,789	-	6,789
Capital Assets (net)	<u>210,243</u>	<u>212,361</u>	<u>(2,118)</u>
Total Assets	<u>262,242</u>	<u>267,991</u>	<u>(5,749)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	4,578	-	4,578
Current year pension contribution	<u>3,220</u>	<u>2,823</u>	<u>397</u>
Total Deferred Outflow of Resources	<u>7,798</u>	<u>2,823</u>	<u>4,975</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	7,183	12,158	(4,975)
Unearned revenue	4,103	2,961	1,142
Current portion of long-term obligations other than pensions	<u>2,532</u>	<u>3,499</u>	<u>(967)</u>
Total Current Liabilities	<u>13,818</u>	<u>18,618</u>	<u>(4,800)</u>
Long-Term Obligations	<u>180,554</u>	<u>182,823</u>	<u>(2,269)</u>
Total Liabilities	<u>194,372</u>	<u>201,441</u>	<u>(7,069)</u>
DEFERRED INFLOWS OF RESOURCES			
Net change in proportionate share of net pension liability	170	-	170
Difference between projected and actual earnings on pension plan investments	<u>10,199</u>	<u>-</u>	<u>10,199</u>
Total Deferred Inflow of Resources	<u>10,369</u>	<u>-</u>	<u>10,369</u>
NET POSITION			
Net investment in capital assets	79,174	80,686	(1,512)
Restricted	18,853	17,671	1,182
Unrestricted	<u>(32,728)</u>	<u>(28,984)</u>	<u>(3,744)</u>
Total Net Position	<u>\$ 65,299</u>	<u>\$ 69,373</u>	<u>\$ (4,074)</u>

This schedule has been prepared from the District *Statement of Net Position* (page 12), which is presented on the accrual basis of accounting whereby capital assets are capitalized and depreciated and all liabilities of the District are recognized.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Cash and short-term investments consist primarily of funds held in the County Treasury. The changes in cash position is explained in the *Statement of Cash Flows* (pages 14-15).

Much of the unrestricted net position has been designated by the Board or by contracts for such purposes as Federal and State grants, outstanding commitments on contracts, debt service, and bookstore and general reserves for the ongoing financial health of the District.

Change in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* (page 13) presents the operating results of the District, as well as the nonoperating revenues and expenses. State general apportionment, while budgeted for operations, is considered nonoperating revenues by generally accepted accounting principles.

(Amounts in thousands)

	2015	2014	Change
Operating Revenues			
Tuition and fees	\$ 4,321	\$ 4,562	\$ (241)
Auxiliary Enterprise sales and charges and other operating revenues	2,317	4,609	(2,292)
Total Operating Revenues	<u>6,638</u>	<u>9,171</u>	<u>(2,533)</u>
Operating Expenses			
Salaries and benefits	53,614	49,376	4,238
Supplies, materials, and other operating expenses	15,118	12,279	2,839
Student financial aid	13,664	12,662	1,002
Depreciation	4,877	3,829	1,048
Total Operating Expenses	<u>87,273</u>	<u>78,146</u>	<u>9,127</u>
Loss on Operations	<u>(80,635)</u>	<u>(68,975)</u>	<u>(11,660)</u>
Nonoperating Revenues			
State apportionments	34,502	31,966	2,536
Property taxes	19,382	18,185	1,197
Grants and contracts	23,268	20,566	2,702
State revenues	2,380	1,959	421
Net interest expense	(8,980)	(4,341)	(4,639)
Other nonoperating revenues	4,172	420	3,752
Total Nonoperating Revenues	<u>74,724</u>	<u>68,755</u>	<u>5,969</u>
Other Revenues and Losses			
State, local capital income and losses	<u>1,837</u>	<u>2,669</u>	<u>(832)</u>
Net Change in Net Position	<u>\$ (4,074)</u>	<u>\$ 2,449</u>	<u>\$ (6,523)</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

The operating revenues for the District are specifically defined as revenues from users of the College's facilities and programs. Excluded from operating revenues are the components of the primary source of District funding; the State apportionment process which includes the State general apportionment and local property taxes. As these resources of revenues are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be nonoperating. As a result, the operating loss of \$80.6 million is balanced by other funding sources. Total District expenses exceeded total revenues by \$4.1 million for the year ended June 30, 2015.

Enterprise sales and charges consists of Bookstore net revenues. The Bookstore is maintained to provide books, supplies, and other items to the students and faculty of the District. The operations are self-supporting through product sales. Profits from the Bookstore are used for student government and club activities.

Grants and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving students of the District. These grants and program revenues are restricted as to the allowable expenses related to the programs.

Interest income is primarily the result of cash held at the County Treasury. Interest expense relates to interest payments on the general obligation bonds as described in Note 9 of the financial statements.

Cash Flows

The *Statement of Cash Flows* provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

(Amounts in thousands)

	2015	2014	Change
Cash Provided by (Used in)			
Operating activities	\$ (83,461)	\$ (66,754)	\$ (16,707)
Noncapital financing activities	82,301	77,512	4,789
Capital financing activities	(5,004)	(25,078)	20,074
Investing activities	105	48	57
Net Increase (Decrease) in Cash	(6,059)	(14,272)	8,213
Cash, Beginning of Year	47,956	62,228	(14,272)
Cash, End of Year	<u>\$ 41,897</u>	<u>\$ 47,956</u>	<u>\$ (6,059)</u>

The primary operating receipts are student tuition and fees and auxiliary enterprise sales and charges consisting of Bookstore net revenues. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff, as well as District administrators.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$210.2 million in a broad range of capital assets including land, construction in progress, buildings, and furniture and equipment. During the year, the District also continued to modernize and refurbish various sites. Additional information related to capital assets is found in Note 5 of the financial statements.

(Amounts in thousands)

	<u>2015</u>	<u>2014</u>
Land and construction in progress	\$ 52,147	\$ 121,460
Buildings and improvements	175,652	104,488
Furniture and equipment	22,789	21,937
Total Capital Assets	<u>250,588</u>	<u>247,885</u>
Less accumulated depreciation	<u>(40,345)</u>	<u>(35,524)</u>
Capital Assets, Net	<u><u>\$ 210,243</u></u>	<u><u>\$ 212,361</u></u>

Long-Term Obligations

At the end of this year, the District had \$183.1 million in outstanding long-term obligations. This is primarily made up of \$145.3 million of general obligation bonds. Additional information related to long-term obligations is found in Note 9 of the financial statements.

(Amounts in thousands)

	<u>2015</u>	<u>2014</u> as restated
General obligation bonds	\$ 145,289	\$ 138,110
Compensated absences	1,175	1,013
Net other postemployment benefits (OPEB)	-	509
Aggregate net pension obligation	<u>36,622</u>	<u>46,690</u>
Total Long-Term Obligations	<u><u>\$ 183,086</u></u>	<u><u>\$ 186,322</u></u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

This fiscal year the District maintained the ability to meet its cash flow obligations without incurring the additional expense of issuing a Tax and Revenue Anticipation Note (TRAN).

The District continued to fund and restrict the postemployment retiree benefit liability (GASB Statement No. 45). In this fiscal year, the District established an irrevocable trust which yields an interest rate of six percent.

There are no other current known facts, decisions, or conditions that will have a significant effect on the financial position (net position) or results of operations (revenue, expenses, and changes in net position) of the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES 2015-2016

The economic position of the District is closely tied to the State of California, as State apportionments and property taxes allocated to the District represent approximately 83.7 percent of the unrestricted resources of the District. The Governor's fiscal year 2015-2016 budget for community colleges will allow for a 1.02 percent cost of living increase. The Adopted Budget was balanced with a 9.02 percent unrestricted reserve. The District estimated a 2.5 percent statewide deficit resulting in a reduction of \$1,301,700 for 2015-2016 fiscal year.

Management is closely monitoring all economic factors in an effort to control the ultimate impact on the District's financial health.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 District at: Allan Hancock Joint Community College District, Business Services, 800 South College Drive, Santa Maria, CA, 93454-6399 or call (805) 922-6966, ext. 3268.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,521,939
Investments	40,374,725
Accounts receivable	2,365,156
Student receivable	219,461
Due from fiduciary funds	4,145
Prepaid expenses	303,849
Inventories	420,355
Total Current Assets	<u>45,209,630</u>
Noncurrent Assets	
Net other postemployment benefits (OPEB) asset	6,789,522
Nondepreciable capital assets	52,146,584
Depreciable capital assets, net of depreciation	158,096,626
Total Noncurrent Assets	<u>217,032,732</u>
TOTAL ASSETS	<u>262,242,362</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	4,578,169
Current year pension contribution	3,219,791
Total Deferred Outflows of Resources	<u>7,797,960</u>
LIABILITIES	
Current Liabilities	
Accounts payable	5,160,468
Accrued interest payable	2,010,936
Due to fiduciary funds	12,044
Unearned revenue	4,103,331
Current portion of long-term obligations other than pensions	2,532,272
Total Current Liabilities	<u>13,819,051</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations other than pensions	143,931,112
Aggregate net pension obligation	36,622,243
Total Noncurrent Liabilities	<u>180,553,355</u>
TOTAL LIABILITIES	<u>194,372,406</u>
DEFERRED INFLOWS OF RESOURCES	
Net change in proportionate share of net pension liability	170,205
Difference between projected and actual earnings on pension plan investments	10,198,776
Total Deferred Inflows of Resources	<u>10,368,981</u>
NET POSITION	
Net investment in capital assets	79,173,708
Restricted for:	
Debt service	4,918,741
Capital projects	6,108,902
Educational programs	7,441,514
Other activities	383,616
Unrestricted	(32,727,546)
TOTAL NET POSITION	<u>\$ 65,298,935</u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

OPERATING REVENUES	
Student Tuition and Fees	\$ 11,078,808
Less: Scholarship discount and allowance	<u>(6,757,466)</u>
Net tuition and fees	<u>4,321,342</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	2,148,581
Other Operating Revenues	<u>167,927</u>
TOTAL OPERATING REVENUES	<u><u>6,637,850</u></u>
OPERATING EXPENSES	
Salaries	41,571,547
Employee benefits	12,042,241
Supplies, materials, and other operating expenses and services	13,441,093
Student financial aid	13,664,280
Equipment, maintenance, and repairs	1,676,042
Depreciation	<u>4,877,281</u>
TOTAL OPERATING EXPENSES	<u><u>87,272,484</u></u>
OPERATING LOSS	<u><u>(80,634,634)</u></u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	34,502,020
Local property taxes, levied for general purposes	13,438,216
Taxes levied for other specific purposes	5,944,049
Federal grants	15,670,677
State grants	7,597,243
State taxes and other revenues	2,379,709
Investment income	152,048
Interest expense on capital related debt	(9,149,417)
Investment income on capital asset-related debt, net	17,005
Transfer to fiduciary fund	(214,394)
Other nonoperating revenue	<u>4,386,673</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>74,723,829</u></u>
LOSS BEFORE OTHER REVENUES AND LOSSES	<u><u>(5,910,805)</u></u>
OTHER REVENUES AND LOSSES	
State revenues, capital	1,359,368
Local revenues, capital	490,189
Loss on disposal of capital assets	<u>(12,923)</u>
TOTAL OTHER REVENUES AND LOSSES	<u><u>1,836,634</u></u>
CHANGE IN NET POSITION	<u><u>(4,074,171)</u></u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u><u>69,373,106</u></u>
NET POSITION, END OF YEAR	<u><u><u>\$ 65,298,935</u></u></u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 4,891,088
Payments to vendors for supplies and services	(14,767,858)
Payments to or on behalf of employees	(61,176,006)
Payments to students for scholarships and grants	(13,664,280)
Auxiliary enterprise sales and charges	2,316,508
Other operating	(1,060,314)
Net Cash Flows From Operating Activities	<u>(83,460,862)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	39,325,778
Grant and contracts	23,652,253
Property taxes - nondebt related	13,438,216
State taxes and other apportionments	1,930,299
Other nonoperating	3,953,944
Net Cash Flows From Noncapital Financing Activities	<u>82,300,490</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(6,428,595)
Proceeds from capital debt	67,505,732
State revenue, capital projects	1,359,368
Local revenue, capital projects	490,189
Property taxes - related to capital debt	5,944,049
Principal paid on capital debt	(60,327,012)
Interest paid on capital debt	(13,564,769)
Interest received on capital asset-related debt	17,005
Net Cash Flows From Capital Financing Activities	<u>(5,004,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>105,463</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,058,942)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>47,955,606</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 41,896,664</u></u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

Operating Loss	<u>\$ (80,634,634)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	4,877,281
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables, net	(112,380)
Inventories	40,594
Prepaid expenses	273,087
Accounts payable and accrued liabilities	(433,633)
Unearned revenue	821,731
Funds held for others	(1,060,314)
Net other postemployment benefits (OPEB) asset	(7,299,022)
Deferred outflows related to pension obligations	(396,477)
Deferred inflows	10,368,981
Aggregate net pension obligation	(10,068,305)
Compensated absences	162,229
Total Adjustments	<u>(2,826,228)</u>
Net Cash Flows From Operating Activities	<u><u>\$ (83,460,862)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,521,939
Cash in county treasury	40,374,725
Total Cash and Cash Equivalents	<u><u>\$ 41,896,664</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 939,346</u></u>
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The accompanying notes are an integral part of these financial statements.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

	<u>Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 830,467	\$ 47,411
Investments	110,625	-
Accounts receivable	126	-
Student receivable	10,067	-
Due from primary government	12,044	-
Prepaid expenses	2,905	-
Total Assets	<u>966,234</u>	<u>\$ 47,411</u>
LIABILITIES		
Accounts payable	10,715	\$ 728
Due to primary government	3,449	696
Unearned revenue	18,455	-
Due to student groups	-	45,987
Total Liabilities	<u>32,619</u>	<u>\$ 47,411</u>
NET POSITION		
Unreserved	<u>\$ 933,615</u>	

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

	<u>Trust</u>
ADDITIONS	
Local revenues	\$ 296,591
DEDUCTIONS	
Classified salaries	1,644
Books and supplies	104,221
Services and operating expenditures	488,772
Total Deductions	<u>594,637</u>
OTHER FINANCING SOURCES (USES)	
Transfer from primary government	214,394
Other uses	(11,944)
Total Other Financing Sources (Uses)	<u>202,450</u>
Change in Net Position	(95,596)
Net Position - Beginning	<u>1,029,211</u>
Net Position - Ending	<u>\$ 933,615</u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - ORGANIZATION

Allan Hancock Joint Community College District (the District) is a comprehensive, public, two-year institution offering higher education in the County of Santa Barbara (the County), in the State of California (the State). 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, and capital project funds, as well as all other funds, but these budgets are managed at the department level. The District consists of one community college located in Santa Maria, California, with multiple satellite centers located in Lompoc, Solvang, and Vandenberg Air Force Base, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

The Allan Hancock College Programs Auxiliary Corporation

The Allan Hancock College Programs Auxiliary Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation is an auxiliary operation of the District and includes the Pacific Conservatory of Performing Arts (PCPA), Bookstore, and Associated Students Trust fund. The purpose of the Corporation is to provide benefits to the educational programs and services for the District. The District supplies all staff and performs all administrative functions for the Corporation. Such common governance and administrative structure are the prime criteria used to evaluate the Corporation for inclusion in the accompanying financial statements as a blended component unit. Accordingly, the activities of the Corporation are accounted for in the District's business-type activities. Separate financial statements for the Corporation can be obtained from the District's business office at 800 South College Drive, Santa Maria, CA 93454-6399. Condensed component unit information for the Corporation (the District's blended component unit) for the year ended June 30, 2015, is as follows:

Condensed Combining Statement of Net Position

	PCPA	Bookstore	Associated Students Trust Fund	Total
ASSETS				
Current assets	\$ 676,487	\$ 1,413,084	\$ 73,055	\$ 2,162,626
Capital assets		89,703	-	89,703
Total Assets	<u>676,487</u>	<u>1,502,787</u>	<u>73,055</u>	<u>2,252,329</u>
LIABILITIES				
Current liabilities	<u>470,384</u>	<u>40,893</u>	<u>3,712</u>	<u>514,989</u>
NET POSITION				
Net investment in capital assets	-	89,703	-	89,703
Restricted	206,103	1,372,191	69,343	1,647,637
Total Net Position	<u>\$ 206,103</u>	<u>\$ 1,461,894</u>	<u>\$ 69,343</u>	<u>\$ 1,737,340</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position

	PCPA	Bookstore	Associated Students Trust Fund	Total
OPERATING REVENUES				
Auxiliary enterprise sales and charges	\$ 2,167,080	\$ 2,157,156	\$ -	\$ 4,324,236
Local revenues	-	-	33,373	33,373
Total Operating Revenues	<u>2,167,080</u>	<u>2,157,156</u>	<u>33,373</u>	<u>4,357,609</u>
OPERATING EXPENDITURES				
Operating expenses	1,988,545	2,115,962	108,682	4,213,189
Depreciation	-	18,961	-	18,961
Total Operating Expenses	<u>1,988,545</u>	<u>2,134,923</u>	<u>108,682</u>	<u>4,232,150</u>
CHANGE IN NET POSITION	178,535	22,233	(75,309)	125,459
NET POSITION, BEGINNING OF YEAR	<u>27,568</u>	<u>1,439,661</u>	<u>144,652</u>	<u>1,611,881</u>
NET POSITION, END OF YEAR	<u>\$ 206,103</u>	<u>\$ 1,461,894</u>	<u>\$ 69,343</u>	<u>\$ 1,737,340</u>

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

Allan Hancock College Viticulture and Enology Foundation

The Allan Hancock College Viticulture and Enology Foundation (the Viticulture Foundation) is a legally separate, not-for-profit corporation. The purpose of the Viticulture Foundation is to provide benefits to the educational programs and services for the District. The Viticulture Foundation is not included as a component unit because the economic resources received and held by the Viticulture Foundation are not significant to the District. Separate financial statements for the Viticulture Foundation can be obtained from the District's business office at 800 South College Drive, Santa Maria, CA 93454-6399.

Allan Hancock College Foundation

The Allan Hancock College Foundation (the Foundation) is a legally separate, not-for-profit corporation. The Foundation provides financial support for various college-related programs including student scholarships and awards, general department and program support, equipment purchases and capital improvements, and faculty research and teaching activities. The Board of the Foundation consists of community members, alumni, and other supporters of the Foundation. The Foundation is not included as a component unit because the economic resources received and held by the Foundation are not significant to the District and because the District does not control the timing of amount of receipts from the Foundation. Separate financial statements for the Foundation can be obtained from the Foundation's business office at 800 South College Drive, Santa Maria, CA 93454-6399.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Inventories

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

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of \$5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than \$150,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred. The cost of capital assets includes ancillary charges necessary to place an asset in its intended location and condition for use, including capitalized interest incurred during construction. Capitalizable interest is calculated as total interest expense on the indebtedness over the capitalization period offset by the interest revenue earned on the reinvested debt proceeds.

The following estimated useful lives are used to compute depreciation:

Land improvements	20 - 50 years
Buildings and improvements	20 - 50 years
Equipment	3 - 10 years
Vehicles	3 - 10 years

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Outflows/Inflows of Resources

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability and for the unamortized amount on net change in proportionate share of net pension liability.

Pensions

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. At year end, there was no outstanding liabilities for load banking.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, and the aggregate net pension obligation with maturities greater than one year.

Net Position

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

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

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$18,852,773 of restricted net position.

State Apportionments

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

Property Taxes

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The voters of the District passed a General Obligation Bond in 2006 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.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

Change in Accounting Principles

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

The restatement does not include deferred inflows of resources, as this information was not available.

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

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

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

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

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

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

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$43,867,234. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as the information was not available.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

New Accounting Pronouncements

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

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

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

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

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

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

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

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

Primary government	\$ 41,896,664
Fiduciary funds	988,503
Total Deposits and Investments	<u><u>\$ 42,885,167</u></u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Deposits and investments of the Fiduciary Funds as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 2,344,817
Cash in revolving	55,000
Investments	<u>40,485,350</u>
Total Deposits and Investments	<u><u>\$ 42,885,167</u></u>

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 Santa Barbara County Investment Pool. The District maintains an investment of \$40,485,350 with the Santa Barbara County Investment Pool. The fair value of this investment is approximately \$40,721,212 with an average maturity of 448 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Santa Barbara County Investment Pool is not required to be rated, nor has been rated as of June 30, 2015.

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. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of \$2,502,085 was fully insured or collateralized with securities, held by the pledging financial institutions trust department in the District's name.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 710,003	\$ -
State Government		
Categorical aid	201,551	-
Lottery	449,410	-
Local Sources		
District Foundation	435,962	-
Enrollment fees	112,380	-
Interest	46,585	-
Other local sources	409,265	126
Total	<u>\$ 2,365,156</u>	<u>\$ 126</u>
Student receivables	<u>\$ 219,461</u>	<u>\$ 10,067</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 3,758,448	\$ -	\$ -	\$ 3,758,448
Construction in progress	117,701,268	1,850,938	71,164,070	48,388,136
Total Capital Assets Not Being Depreciated	<u>121,459,716</u>	<u>1,850,938</u>	<u>71,164,070</u>	<u>52,146,584</u>
Capital Assets Being Depreciated				
Land improvements	5,578,028	249,400	-	5,827,428
Buildings and improvements	98,910,463	70,914,670	-	169,825,133
Furniture and equipment	21,936,923	921,590	69,685	22,788,828
Total Capital Assets Being Depreciated	<u>126,425,414</u>	<u>72,085,660</u>	<u>69,685</u>	<u>198,441,389</u>
Total Capital Assets	<u>247,885,130</u>	<u>73,936,598</u>	<u>71,233,755</u>	<u>250,587,973</u>
Less Accumulated Depreciation				
Land improvements	3,068,539	178,121	-	3,246,660
Buildings and improvements	25,727,425	2,798,797	-	28,526,222
Furniture and equipment	6,728,280	1,900,363	56,762	8,571,881
Total Accumulated Depreciation	<u>35,524,244</u>	<u>4,877,281</u>	<u>56,762</u>	<u>40,344,763</u>
Net Capital Assets	<u>\$212,360,886</u>	<u>\$69,059,317</u>	<u>\$ 71,176,993</u>	<u>\$ 210,243,210</u>

Depreciation expense for the year was \$4,877,281.

Interest expense on capital related debt for the year ended June 30, 2015, was \$9,330,267. Of this amount, \$180,850 was capitalized.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 303,881	\$ -
Construction	3,525,493	-
Student liabilities	295,687	-
Other	1,035,407	11,443
Total	<u>\$ 5,160,468</u>	<u>\$ 11,443</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	\$ 48,349	\$ -
State categorical aid	991,746	-
Enrollment fees	1,498,413	18,455
Other local	1,564,823	-
Total	<u>\$ 4,103,331</u>	<u>\$ 18,455</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2015, the amounts owed between the primary government and the fiduciary funds were \$4,145 and \$12,044, respectively.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2015 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$214,394.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance Beginning of Year as restated	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, 2006 Series A	\$ 64,370,000	\$ -	\$ 57,635,000	\$ 6,735,000	\$ 1,000,000
General obligation bonds, 2009 Series B and B-1	26,620,000	-	-	26,620,000	-
General obligation bonds, 2012 Series C	37,986,200	5,232,662	410,000	42,808,862	-
General obligation bonds, 2013 Series D	8,773,376	222,725	1,870,000	7,126,101	315,000
General obligation bonds, 2014 Refunding Bonds	-	52,260,000	-	52,260,000	700,000
Unamortized bond premium	360,210	9,790,345	412,012	9,738,543	-
Total Bonds and Notes Payable	138,109,786	67,505,732	60,327,012	145,288,506	2,015,000
Other Liabilities					
Compensated absences	1,012,649	162,229	-	1,174,878	517,272
Aggregate net pension obligation	46,690,548		10,068,305	36,622,243	-
OPEB Obligation	509,500	201,037	710,537	-	-
Total Other Liabilities	48,212,697	363,266	10,778,842	37,797,121	517,272
Total Long-Term Obligations	\$ 186,322,483	\$ 67,868,998	\$ 71,105,854	\$ 183,085,627	\$ 2,532,272

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Description of Debt

In June 2006, voters authorized a total of \$180,000,000 in general obligation bonds. In September 2006, the District issued Election of 2006 Series A General Obligation Bonds in the amount of \$68,000,000. The bonds were issued to finance the acquisition, construction, modernization, and renovation of District facilities and to prepay the previously issued Certificates of Participation of 1999 and 2005. The bonds bear interest rates of 4.00 to 5.00 percent. Principal and interest payments are due each August 1 and February 1 through August 1, 2031. At June 30, 2015, the principal balance outstanding was \$6,735,000.

In October 2009, the District issued Election of 2006 Series B and B-1 General Obligation Bonds in the amount of \$29,999,556. The bonds were issued to finance the acquisition, construction, modernization, and renovation of District facilities. The bonds bear interest rates of 4.00 to 5.00 percent. Principal and interest payments are due each August 1 and February 1 through August 1, 2034. At June 30, 2015, the principal balance outstanding was \$26,620,000.

In September 2012, the District issued Election of 2006 Series C General Obligation Bonds in the amount of \$38,996,200. The bonds were issued to finance the acquisition, construction, modernization, and renovation of District facilities. The bonds bear interest rates of 2.00 to 5.70 percent. Principal and interest payments are due each August 1 and February 1 through August 1, 2047. At June 30, 2015, the principal balance outstanding was \$42,808,862.

In December 2013, the District issued Election of 2006 Series D General Obligation Bonds in the amount of \$8,773,376. The bonds were issued to finance the acquisition, construction, modernization, and renovation of District facilities. The bonds bear interest rates of 2.00 to 4.75 percent. Principal and interest payments are due each August 1 and February 1 through August 1, 2039. At June 30, 2015, the principal balance outstanding was \$7,126,101.

In October 2014, the District issued the \$52,260,000 2014 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2030, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$62,050,345 (representing the principal amount of \$52,260,000 plus premium on issuance of \$9,790,345) from the issuance were used to advance refund a portion of the District's outstanding 2006 General Obligation Bonds, Series A maturing on August 1, 2017 through and including August 1, 2031, and to pay the cost of the issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$5,978,913 over the life of the new debt and an economic gain of \$4,736,721 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.440 percent. At June 30, 2015, the principal balance outstanding was \$52,260,000. Unamortized premium received on issuance of the bonds amounted to \$9,738,543 as of June 30, 2015.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted		Bonds
				Outstanding July 1, 2014	Issued	Interest Addition	Redeemed	Outstanding June 30, 2015
2006	08/01/31	4.00%-5.00%	\$ 68,000,000	\$ 64,370,000	\$ -	\$ -	\$ 57,635,000	\$ 6,735,000
2009	08/01/34	4.00%-5.00%	29,999,556	26,620,000	-	-	-	26,620,000
2012	08/01/47	2.00%-5.70%	38,996,200	37,986,200	-	5,232,662	410,000	42,808,862
2013	08/01/39	2.00%-4.75%	8,773,376	8,773,376	-	222,725	1,870,000	7,126,101
2014	08/01/30	2.00%-5.00%	52,260,000	-	52,260,000	-	-	52,260,000
				<u>\$ 137,749,576</u>	<u>\$ 52,260,000</u>	<u>\$ 5,455,387</u>	<u>\$ 59,915,000</u>	<u>\$ 135,549,963</u>

The Series A bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 1,000,000	\$ 283,175	\$ 1,283,175
2017	1,260,000	231,400	1,491,400
2018	110,000	201,875	311,875
2019	135,000	196,088	331,088
2020	160,000	189,050	349,050
2021-2025	1,220,000	804,169	2,024,169
2026-2030	2,200,000	407,907	2,607,907
2031-2032	650,000	16,843	666,843
Total	<u>\$ 6,735,000</u>	<u>\$ 2,330,507</u>	<u>\$ 9,065,507</u>

The Series B bonds mature through 2035 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ -	\$ 1,884,835	\$ 1,884,835
2017	110,000	1,882,635	1,992,635
2018	125,000	1,877,935	2,002,935
2019	135,000	1,872,735	2,007,735
2020	145,000	1,866,410	2,011,410
2021-2025	820,000	9,206,353	10,026,353
2026-2030	750,000	8,933,381	9,683,381
2031-2035	24,535,000	4,649,230	29,184,230
Total	<u>\$ 26,620,000</u>	<u>\$ 32,173,514</u>	<u>\$ 58,793,514</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

The Series C bonds mature through 2048 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2031-2035	\$ 1,345,995	\$ 2,689,005	\$ 11,090,098	\$ 15,125,098
2036-2040	8,424,055	21,080,945	23,834,194	53,339,194
2041-2045	18,356,044	27,108,956	18,196,139	63,661,139
2046-2048	14,682,768	26,107,232	3,573,920	44,363,920
Total	<u>\$ 42,808,862</u>	<u>\$ 76,986,138</u>	<u>\$ 56,694,351</u>	<u>\$ 176,489,351</u>

The Series D bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2016	\$ 315,000	\$ -	\$ 149,437	\$ 464,437
2017	55,000	-	144,950	199,950
2018	50,000	-	143,400	193,400
2019	55,000	-	141,300	196,300
2020	60,000	-	139,000	199,000
2021-2025	305,000	-	665,738	970,738
2026-2030	265,000	-	617,308	882,308
2031-2035	1,013,257	1,866,743	592,563	3,472,563
2036-2040	5,007,844	6,497,156	533,304	12,038,304
Total	<u>\$ 7,126,101</u>	<u>\$ 8,363,899</u>	<u>\$ 3,127,000</u>	<u>\$ 18,617,000</u>

The 2014 Refunding bonds mature through 2031 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2016	\$ 700,000	\$ 2,472,863	\$ 3,172,863
2017	-	2,465,863	2,465,863
2018	1,195,000	2,447,938	3,642,938
2019	1,445,000	2,401,113	3,846,113
2020	1,725,000	2,337,713	4,062,713
2021-2025	13,925,000	10,064,012	23,989,012
2026-2030	26,130,000	5,173,529	31,303,529
2031	7,140,000	169,125	7,309,125
Total	<u>\$ 52,260,000</u>	<u>\$ 27,532,156</u>	<u>\$ 79,792,156</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Compensated Absences

The long-term obligation of the compensated absences for the District at June 30, 2015, amounted to \$1,174,878.

Aggregate Net Pension Obligation

As of June 30, 2015, the aggregate net pension obligation was \$36,622,243. See Note 12 for additional information.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (ASSET) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The District has entered into an agreement with Benefit Trust Company to form the Futuris Public Entity Investment Trust to be used for the funding and payment of the District's obligation under the employee benefit plans that provide retiree health and other postemployment benefits.

Plan Description

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements under an agent multiple-employer defined benefit plan. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in California Public Employees' Retirement System (CalPERS) is a minimum age of 55 and also has minimum continuous service requirements for retirement that range from 10 to 20 years and varies by employee class. The eligibility requirement for employees participating in California State Teachers' Retirement System (CalSTRS) is a minimum age ranging from 50 to 60. In addition, the District also has minimum continuous service requirements for retirement that range from 20 to 25 years and varies by employee class. Additional age and service criteria may be required. Membership of the Plan consists of approximately 91 retirees currently receiving benefits and approximately 253 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2014-2015, the District contributed \$274,058 to the Plan, all of which was used for current premiums, and \$7,214,824 was contributed to an irrevocable trust.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Annual OPEB Cost and Net OPEB (Asset) Obligation

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

Annual required contribution	\$ 201,037
Contributions paid by the District	(274,058)
Contributions made to Irrevocable Trust	(7,214,824)
Change in value of Irrevocable Trust	<u>(11,177)</u>
Increase in net OPEB asset	(7,299,022)
Net OPEB (asset) obligation, beginning of year	509,500
Net OPEB (asset) obligation, June 30, 2015	<u><u>\$ (6,789,522)</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB (Asset) Obligation
2013	\$ 581,103	\$ 486,977	84%	\$ 355,000
2014	579,383	424,883	73%	509,500
2015	201,037	7,488,882	3725%	(6,789,522)

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 7,946,307
Actuarial Value of Plan Assets	<u>7,226,001</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 720,306</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	91%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u><u>N/A</u></u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The above noted actuarial accrued liability was based on the July 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a six percent investment rate of return, based on the assumed long-term return on Plan assets. Healthcare cost trend rates used was four percent. The UAAL is being amortized at a level percentage of payroll method. An open 17 year amortization period was used. The value of the assets as of June 30, 2015, was \$7,226,001.

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2015, the District contracted with the Bay Area Community College Districts (BACCD), the Statewide Association of Community Colleges (SWACC), and the Self-Insured Schools of California (SISC III) Joint Powers Authorities (JPAs) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. These have not been a significant reduction in coverage from the prior year.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2015, the District contracted with the BACCD 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.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Workers' Compensation

For fiscal year 2014-2015, the District participated in the Santa Barbara County Schools 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 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 K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Santa Barbara County School SIPE	Workers' Compensation	\$1,000,000
U.S. Specialty Underwriters	Excess Workers' Compensation	\$25,000,000
BACCD JPA	Property and Liability	\$1,000,000-\$250,000,000

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 24,496,314	\$ 1,584,311	\$ 6,032,171	\$ 2,114,823
CalPERS	12,125,929	1,635,480	4,336,810	1,077,747
Total	<u>\$ 36,622,243</u>	<u>\$ 3,219,791</u>	<u>\$ 10,368,981</u>	<u>\$ 3,192,570</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were \$1,584,311.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 24,496,314
State's proportionate share of net pension liability associated with the District	<u>14,791,932</u>
Total	<u><u>\$ 39,288,246</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0419 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,114,823. In addition, the District recognized revenue and pension expense of \$1,277,021 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,584,311	\$ -
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>6,032,171</u>
Total	<u><u>\$ 1,584,311</u></u>	<u><u>\$ 6,032,171</u></u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

Year Ended June 30,	Amortization
2016	\$ 1,508,043
2017	1,508,043
2018	1,508,043
2019	1,508,042
Total	<u>\$ 6,032,171</u>

Actuarial Methods and Assumptions

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 38,183,347
Current discount rate (7.60%)	24,496,314
1% increase (8.60%)	13,083,816

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

	<u>School Employer Pool (CalPERS)</u>	
	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%	6.000%
Required employer contribution rate	11.771%	11.771%

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were \$1,635,480.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$12,125,929. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2014 and June 30, 2013, respectively, was 0.1068 percent and 0.1084 percent, resulting in a net decrease in the proportionate share of 0.0016 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,077,747. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,635,480	\$ -
Net change in proportionate share of net pension liability	-	170,205
Difference between projected and actual earnings on pension plan investments	-	4,166,605
Total	<u>\$ 1,635,480</u>	<u>\$ 4,336,810</u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

Year Ended June 30,	<u>Amortization</u>
2016	\$ 56,735
2017	56,735
2018	56,735
Total	<u>\$ 170,205</u>

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

Year Ended June 30,	<u>Amortization</u>
2016	\$ 1,041,651
2017	1,041,651
2018	1,041,651
2019	1,041,652
Total	<u>\$ 4,166,605</u>

Actuarial Methods and Assumptions

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 21,271,649
Current discount rate (7.50%)	12,125,929
1% increase (8.50%)	4,483,760

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2015, which amounted to \$939,346, (5.679 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2015. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the BACCD JPA, SWACC, SISC III, and Santa Barbara County Schools SIPE. The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that the JPAs 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 Board member and one alternative to the Governing Board of BACCD and Santa Barbara County SIPE.

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

During the year ended June 30, 2015, the District made payments of \$385,419, \$5,392,667, and \$833,195 to BACCD, SISC III, and SIPE, respectively.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 14 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2016	\$ 340,856
2017	5,408
Total	<u>\$ 346,264</u>

Total lease expense of \$414,460 was included in other operating expenses and services for the year ended June 30, 2015.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Construction Commitments

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

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Public Safety Complex	\$ 178,405	2015-2016
Fine Arts Complex	45,061	2019-2020
LVC Roof/ADA Upgrade	2,500	2015-2016
Theater Arts Project	5,382	2020-2021
Building K Elevator Upgrade	109,435	2015-2016
Boiler Project	2,280	2015-2016
Building C Electric Upgrade	11,188	2015-2016
Building P Roof Project	146,058	2015-2016
Energy Efficient Project	202,241	2015-2016
Smart Pool Pump Control System	45,000	2015-2016
Building D HVAC Compressor	10,795	2015-2016
	\$ 758,345	

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

NOTE 15 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2015, are:

	Salaries	Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instruction	\$ 20,459,194	\$ 1,150,993	\$ 2,389,140	\$ -	\$ 23,999,327
Instructional Administration	2,838,648	291,906	564,371	-	3,694,925
Instructional Support Services	1,324,518	164,997	293,814	-	1,783,329
Admissions and Records	397,848	104,369	57,476	-	559,693
Counseling and Guidance	2,404,246	175,187	272,757	-	2,852,190
Other Student Services	2,796,445	307,349	649,641	-	3,753,435
Operations and Maintenance	2,165,602	531,587	1,874,599	-	4,571,788
Planning and Policy Making	938,938	157,435	198,089	-	1,294,462
General Institutional Services	3,940,162	1,256,373	2,518,227	-	7,714,762
Community Services	547,643	87,868	461,417	-	1,096,928
Ancillary Services	1,780,965	7,421,555	1,542,720	-	10,745,240
Auxiliary Operations	1,971,092	392,622	3,091,737	18,961	5,474,412
Physical Property and Related Acquisitions	6,246	-	954,837	-	961,083
Long-Term Debt and Other Financing	-	-	248,310	-	248,310
Transfers and Student Payments	-	-	13,664,280	-	13,664,280
Depreciation	-	-	-	4,858,320	4,858,320
Total	\$ 41,571,547	\$ 12,042,241	\$ 28,781,415	\$ 4,877,281	\$ 87,272,484

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 113,240,340
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(46,690,548)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	2,823,314
Net Position - Beginning, as restated	<u>\$ 69,373,106</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2011	\$ -	\$ 6,745,504	\$ 6,745,504	0%	N/A	N/A
September 1, 2013	-	7,266,555	7,266,555	0%	N/A	N/A
July 1, 2015	7,226,001	7,946,307	720,306	91%	N/A	N/A

* Entry age normal method

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

CalSTRS

District's proportion of the net pension liability	<u>0.0419%</u>
District's proportionate share of the net pension liability	\$ 24,496,314
State's proportionate share of the net pension liability associated with the District	14,791,932
Total	<u>\$ 39,288,246</u>
District's covered - employee payroll	<u>\$ 17,076,861</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>143.45%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

CalPERS

District's proportion of the net pension liability	<u>0.1068%</u>
District's proportionate share of the net pension liability	<u>\$ 12,125,929</u>
District's covered - employee payroll	<u>\$ 14,354,658</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>84.47%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

CalSTRS

Contractually required contribution	\$ 1,584,311
Contributions in relation to the contractually required contribution	<u>1,584,311</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 17,841,340</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

CalPERS

Contractually required contribution	\$ 1,635,480
Contributions in relation to the contractually required contribution	<u>1,635,480</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 13,894,147</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

SUPPLEMENTARY INFORMATION

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2015

Allan Hancock Joint Community College District was founded in 1920 when the Santa Maria High School District established Santa Maria Junior College, and is comprised of an area of approximately 3,000 square miles located in Santa Barbara County. There were no changes in the boundaries of the District during the current year. The District's college is 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.

In September 1954, the community voted to establish the Santa Maria Joint Junior College District. In 1963, the Lompoc Unified School District and Santa Ynez Union High School District were annexed to the community college district, and the District was renamed the Allan Hancock Joint Community College District.

Today, the District includes all of northern Santa Barbara County and small parts of San Luis Obispo and Ventura counties, including the cities of Santa Maria, Lompoc, Cuyama, Guadalupe, Solvang, and Buellton and Vandenberg Air Force Base.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Gregory A. Pensa	President	December 2018
Tim Bennett	Vice President	December 2016
Bernard E. Jones	Member	December 2016
Larry Lahr	Member	December 2018
Hilda Zacarías	Member	December 2016
Cinthya Ortiz	Student Trustee	June 2016

ADMINISTRATION

Kevin G. Walthers, Ph.D.	Superintendent/President
Michael R. Black	Associate Superintendent/Vice President, Administrative Services
George Railey Jr., Ed.D.	Associate Superintendent/Vice President, Academic Affairs
Nohemy Ornelas	Associate Superintendent/Vice President, Student Services
Kelly Underwood	Interim Director, Human Resources/ Equal Employment Opportunity
Richard Carmody	Director, Business Services

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		\$ 171,075
Federal Work Study	84.033		154,981
Federal Pell Grant	84.063		10,898,829
Direct Student Loans	84.268		<u>1,505,655</u>
Total Student Financial Assistance Cluster			<u>12,730,540</u>
 TRIO - Student Support Services Program College Achievement Now	 84.042A		 207,001
STEM Select Model Pathway from High School to Allan Hancock College to University	84.031C		845,361
Advance, Innovate, Maintain (AIM)	84.031S		135,182
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (Perkins Title I-C)	84.048	14-C01-001	511,787
CTE Transitions	84.048A	14-C01-001	43,269
Passed through the California Department of Education College Access Challenge Grant Program	84.378A	G-14-015	376,660
Child Care Access Means Parents in School	84.335A		<u>115,646</u>
Total U.S. Department of Education			<u>14,965,446</u>
 U.S. DEPARTMENT OF AGRICULTURE			
Cultivating the Future: A Community Partnership for Project Based Learning	10.226		97,579
Passed through the California Department of Education Child and Adult Care Food Program	10.558	[1]	<u>43,039</u>
Total U.S. Department of Agriculture			<u>140,618</u>
 NATIONAL SCIENCE FOUNDATION **			
Scholarships in Engineering, Science, Mathematics, and Computer Science	47.076		<u>101,455</u>
Total National Science Foundation			<u>101,455</u>

** Research and Development Grant
[1] Pass through number not available

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the National Institutes of Health			
AHC-CPSU Bridges to the Baccalaureate Partnership Program	93.859	2R25GM086299-06	\$ 103,274
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	72,647
Passed through from the California Department of Education			
Child Care and Development Fund (CCDF) Cluster			
California State Preschool Program	93.596	13609	19,817
California State Preschool Program	93.575	15136	10,903
General Child Care and Development Programs	93.596	13609	73,043
General Child Care and Development Programs	93.575	15136	40,187
Total Child Care and Development Fund (CCDF) Cluster			<u>143,950</u>
Total U.S. Department of Health and Human Services			<u>319,871</u>
Total Expenditures of Federal Awards			<u><u>\$ 15,527,390</u></u>

** Research and Development Grant
[1] Pass through number not available

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Board Financial Assistance Program	\$ 421,274	\$ -	\$ 421,274
CalWORKS	313,707	-	313,707
Cooperative Agencies Resources for Education	211,664	-	211,664
Extended Opportunity Program and Services	537,461	-	537,461
Disabled Students Program and Services	671,789	-	671,789
Disabled Students Program and Services P1 Adj	13	-	13
Foster Parent Grant	86,829	-	86,829
Child Development Training Consortium	9,100	467	9,567
MESA 13-14	-	24,805	24,805
MESA 12-13	50,500	-	50,500
Economic Development - DSN-AWET Grant	-	62,829	62,829
Economic Development - DSN-AWET 13-14 SB1070 Grant	-	83,778	83,778
Economic Development - DSN-AWET 14-15 Grant	230,000	-	230,000
DSN AWET SB858 14-15 Augmentation	100,000	-	100,000
Prop 39 Clean Energy Workforce Program (KCCD)	14,264	-	14,264
IDRC Central Coast Manufacturing Initiative Grant	-	22,622	22,622
CTE - Community Collaborative Phase 6	-	100,013	100,013
Santa Barbara County Toddler Accreditation	-	922	922
Santa Barbara County QIG First 5 Accreditation	1,550	-	1,550
Transfer/Articulation Allocation	-	-	-
Economic Development Enrollment Growth for Nursing 13-14	61,187	-	61,187
Student Success and Support Program Credit	1,295,460	171,565	1,467,025
Student Success and Support Program Non-Credit	207,915	75,272	283,187
Student Equity	544,364	-	544,364
Staff Development	-	27	27
Faculty and Staff Development One-Time Funds	-	4,286	4,286
Staff Diversity	5,553	27,527	33,080
California Articulation Number (CAN)	-	291	291
Cal Grants - Financial Aid	888,738	89,883	978,621
AB 86 Adult Ed Planning	-	237,262	237,262
California Community College Chancellor's Office - Basic Skills	193,855	271,663	465,518
Santa Barbara Community College CTE Enhancement Funds	297,197	-	297,197
TOTAL	\$ 6,142,420	\$ 1,173,212	\$ 7,315,632

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 421,274	\$ -	\$ -	\$ 421,274	\$ 421,274
313,707	-	-	313,707	313,707
211,664	-	-	211,664	211,664
537,461	-	-	537,461	537,461
671,789	-	-	671,789	671,789
13	-	-	13	13
43,414	42,958	-	86,372	86,372
7,968	1,600	176	9,392	9,392
24,805	-	-	24,805	24,805
30,300	-	1,825	28,475	28,475
62,829	-	-	62,829	62,829
83,778	-	-	83,778	83,778
80,000	112,516	-	192,516	192,516
-	7,895	-	7,895	7,895
-	14,264	-	14,264	14,264
304	22,318	-	22,622	22,622
100,013	-	-	100,013	100,013
922	-	327	595	595
1,550	-	1,550	-	-
100	-	100	-	-
61,187	-	-	61,187	61,187
1,449,603	-	190,539	1,259,064	1,259,064
300,609	-	-	300,609	300,609
544,364	-	447,262	97,102	97,102
27	-	27	-	-
4,286	-	4,193	93	93
33,080	-	27,614	5,466	5,466
291	-	291	-	-
978,621	-	-	978,621	978,621
213,230	-	89,775	123,455	123,455
465,518	-	193,855	271,663	271,663
112,935	-	34,212	78,723	78,723
<u>\$ 6,755,642</u>	<u>\$ 201,551</u>	<u>\$ 991,746</u>	<u>\$ 5,965,447</u>	<u>\$ 5,965,447</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

CATEGORIES	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit**	132.68	-	132.68
2. Credit	270.43	-	270.43
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit**	0.18	-	0.18
2. Credit	888.34	-	888.34
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,263.75	-	5,263.75
(b) Daily Census Contact Hours	134.52	-	134.52
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	793.63	-	793.63
(b) Credit	723.97	-	723.97
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	955.61	-	955.61
(b) Daily Census Contact Hours	312.04	-	312.04
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	9,475.15	-	9,475.15
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	52.21	-	52.21
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	654.01	-	654.01
2. Credit	675.27	-	675.27
CCFS-320 Addendum			
CDCP Noncredit FTES	373.05	-	373.05
Centers FTES			
1. Noncredit**	128.48	-	128.48
2. Credit	1,082.37	-	1,082.37

* Annual report revised as of October 29, 2015.

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

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 8,325,026	\$ -	\$ 8,325,026	\$ 8,325,026	\$ -	\$ 8,325,026
Other	1300	8,075,151	-	8,075,151	8,075,151	-	8,075,151
Total Instructional Salaries		16,400,177	-	16,400,177	16,400,177	-	16,400,177
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,151,139	-	4,151,139
Other	1400	-	-	-	698,913	-	698,913
Total Noninstructional Salaries		-	-	-	4,850,052	-	4,850,052
Total Academic Salaries		16,400,177	-	16,400,177	21,250,229	-	21,250,229
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,840,488	-	7,840,488
Other	2300	-	-	-	660,818	-	660,818
Total Noninstructional Salaries		-	-	-	8,501,306	-	8,501,306
Instructional Aides							
Regular Status	2200	522,515	-	522,515	524,204	-	524,204
Other	2400	517,747	-	517,747	519,010	-	519,010
Total Instructional Aides		1,040,262	-	1,040,262	1,043,214	-	1,043,214
Total Classified Salaries		1,040,262	-	1,040,262	9,544,520	-	9,544,520
Employee Benefits	3000	3,686,980	-	3,686,980	8,402,933	-	8,402,933
Supplies and Material	4000	-	-	-	795,917	-	795,917
Other Operating Expenses	5000	700,923	-	700,923	5,111,691	-	5,111,691
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		21,828,342	-	21,828,342	45,105,290	-	45,105,290

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 798,433	\$ -	\$ 798,433	\$ 798,433	\$ -	\$ 798,433
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	225,494	-	225,494
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	463,190	-	463,190
Objects to Exclude							
Rents and Leases	5060	-	-	-	461,652	-	461,652
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	169,971	-	169,971
Noninstructional Supplies and Materials	4400	-	-	-	79,787	-	79,787
Total Supplies and Materials		-	-	-	249,758	-	249,758

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 950,069	\$ -	\$ 950,069
Capital Outlay	6000						
Library Books	6300	-	-	-	27,018	-	27,018
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	4,505	-	4,505
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	4,505	-	4,505
Other Outgo	7000	-	-	-	31,523	-	31,523
Total Exclusions		798,433	-	798,433	3,180,119	-	3,180,119
Total for ECS 84362, 50 Percent Law		\$ 21,029,909	\$ -	\$ 21,029,909	\$ 41,925,171	\$ -	\$ 41,925,171
Percent of CEE (Instructional Salary Cost/Total CEE)		50.16%		50.16%	100.00%		100.00%
50% of Current Expense of Education					\$ 20,962,586		\$ 20,962,586

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 8,956,324
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 8,956,324			\$ 8,956,324
Total Expenditures for EPA		\$ 8,956,324	-	-	\$ 8,956,324
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

Total Fund Balance:

General Funds	\$ 13,298,879	
Child Development	177,513	
PCPA Fund	206,103	
Debt Service	6,929,677	
Capital Project funds	10,294,350	
Bookstore	1,461,894	
Internal Service Fund	3,193,534	
Fiduciary Funds	954,764	
Agency Funds - Due to Student Groups	<u>45,987</u>	
Total Fund Balance - All District Funds		\$ 36,562,701

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	250,587,973	
Accumulated depreciation is	(40,344,763)	
Less fixed assets already recorded in the enterprise fund	<u>(89,703)</u>	210,153,507
Amounts held in trust on behalf of others (Trust and Agency Funds)		(979,602)

Expenditures relating to the issuance of debt were recognized on modified accrual basis, are amortized over the life of the debt on the accrual basis. 4,578,169

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 3,219,791

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 6,789,522

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (2,010,936)

The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits. (170,205)

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		\$ (10,198,776)
Long-term liabilities at year end consist of:		
Bonds payable	\$ 130,094,576	
Premium on bonds	9,738,543	
Compensated absences	1,174,878	
Less compensated absences already recorded in funds	(440,391)	
Net pension obligation	36,622,243	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:	5,455,387	(182,645,236)
Total Net Position		<u><u>\$ 65,298,935</u></u>

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues from Statement of Revenues, Expenditures, and Changes in Net Position:		\$ 15,670,677
Medi-Cal Administrative Activities	93.778	(109,644)
Federal Pell Grant Administrative Allowance	84.063	(25,767)
FSEOG Administrative Allowance	84.007	(845)
Forest Reserve	10.665	(4,213)
Veterans Education	64.116	(2,818)
Total Expenditures of Federal Awards		<u>\$ 15,527,390</u>

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Cal Poly Corporation		
AHC-CPSU Bridges to the Baccalaureate Partnership Program	93.859	\$ 13,760
City of Santa Maria		
Cultivating the Future: A Community Partnership for Project Based Learning	10.226	40,506
		<u>\$ 54,266</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

Schedule of Expenditures of State Awards

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

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

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

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

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

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Allan Hancock Joint Community College District
Santa Maria, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities and the aggregate remaining fund information of Allan Hancock Joint Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Vavinek, Tine, Day & Co., LLP

Rancho Cucamonga, California
December 18, 2015



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

Board of Trustees
Allan Hancock Joint Community College District
Santa Maria, California

Report on Compliance for Each Major Federal Program

We have audited Allan Hancock Joint Community College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

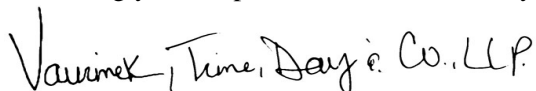
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 18, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Allan Hancock Joint Community College District
Santa Maria, California

Report on State Compliance

We have audited Allan Hancock Joint Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

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

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

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

The District does not have any Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

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

Vauinek, Time, Day & Co., LLP.
Rancho Cucamonga, California
December 18, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007; 84.033; 84.063; 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>84.048</u>	<u>Career and Technical Education Act</u>
<u>84.048A</u>	<u>(Perkins Title I-C)</u>
	<u>CTE Transitions</u>
<u>84.031C</u>	<u>STEM Select Model Pathway from High School</u>
<u>84.031S</u>	<u>to Allan Hancock College to University</u>
	<u>Advance, Innovate, Maintain (AIM)</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

The following finding represents significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2015-001 PROCUREMENT, SUSPENSION, AND DEBARMENT

Federal Programs Affected

Program Name: Career and Technical Education Act (Perkins Title I-C)
CFDA Number: 84.048
Passed through from California Community Colleges Chancellor's Office
Federal Agency: U.S. Department of Education

Program Name: CTE Transitions
CFDA Number: 84.048A
Passed through from California Community Colleges Chancellor's Office
Federal Agency: U.S. Department of Education

Program Name: STEM Select Model Pathway from High School to Allan Hancock College to University
CFDA Number: 84.031C
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Program Name: Advance, Innovate, Maintain (AIM)
CFDA Number: 84.031S
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. (2 CFR part 215.13) require that non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. All transactions with vendors over \$25,000 should be verified they are not suspended or debarred.

Condition

Significant deficiency - During our review of the requirements for suspension and debarment, it was observed that the District was not verifying that vendors were not suspended or debarred.

Questioned Costs

No questioned cost. See Context.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Context

Out of the four vendors tested who had more than \$25,000 in disbursements, all four vendors were not adequately checked and documented for suspension and debarment; however, the District did not expend any funds to excluded parties.

Effect

Future expenditures to excluded parties can result in the District having to return Federal funds.

Cause

The District has not implemented policies and procedures to ensure the compliance with Federal requirements.

Recommendation

It is recommended the District adequately verify all vendors who are providing services to federally funded programs in excess of \$25,000 to ensure that the entity is not suspended, debarred, or otherwise excluded. This verification should be checked on the System for Awards Management (SAM) website. The District should also establish policies and procedures for individuals to follow who are approving and creating contracts with Federal funds.

Management's Response and Corrective Action Plan

The District will establish a policy that all individuals submitting a purchase request, that uses Federal funds, will provide evidence that they have checked SAM.GOV to assure the vendor has not been suspended and debarred. No purchase request will be approved without this verification being attached. The District will amend its purchasing policies to reflect this change.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

None reported.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

Financial Statement and State Awards Findings

2014-001 Internal Controls over Positive Attendance Records (Significant Deficiency)

Criteria

In accordance with California Code of Regulations (CCR), Title 5, Sections 58020-58024, 58030 and 59025, and the Student Attendance Accounting Manual, the District is required to adopt procedures relating to course enrollment, attendance and disenrollment information. Procedures shall include rules for retention of support documentation which shall enable an independent determination regarding the accuracy of tabulations submitted by the District for apportionment funding.

Condition

During our testwork in accordance with State compliance requirements related to State General Apportionment Funding, we noted that it the District's policy for professors to submit attendance records for all positive attendance courses. These records are used to calculate total contact hours for each course and are further used to calculate total apportionment for the District. During our testwork, we identified four instances in which supporting attendance records were improperly calculated by the professor. Although these instances were identified and resolved by the District prior to claiming apportionment, the supporting attendance records were not corrected to properly reflect any changes. This was noted and corrected by the professors during our audit fieldwork.

Cause and Effect

The instances noted above were the result of District professors not maintaining accurately calculated attendance records for positive attendance records. There is concern that if these miscalculations were not identified and resolved by the District, an inaccuracy in claimed apportionment would result. This did occur in five additional instances that resulted in a State compliance finding. See finding 2014-004.

Questioned Costs

None.

Recommendation

We recommend that the District ensure tabulations submitted by the District for apportionment funding are supported by and agree to attendance records in accordance with CCR, Title 5, Sections 58020-58024, 58030 and 59025. We further recommend that District personnel, including professors, are adequately trained in the calculation of contact hours for Actual Hours of Attendance and that all records go through a review process prior to submittal to the District.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

District Response

The District will take steps to obtain adequate training for staff involved in calculating contact hours as they relate to attendance and establish a proper review procedure.

Current Status

Implemented.

2014-002 Internal Controls over Disabled Student Programs and Services (DSPS)

Criteria

In accordance with CCR, Title 5, Sections 56000-56076, the District is required to adopt procedures relating to verifying eligibility for Disabled Student Programs and Services (DSPS). Procedures shall include obtaining a signed mutual consent form.

Condition

The District has a policy whereby students must complete, with their assigned DSPS specialist, either the Learning Disabilities Services Consent Form or the Learning Assistance Program Application for Services, depending on the student's limitations and/or disability. The appropriate form ensures that the student is aware of the tasks and milestones he or she must meet in order to continue receiving support services from the District. The form is signed by the DSPS specialist as well as the student. During our testing over DSPS eligibility in accordance with State compliance requirements, we identified 6 instances in which signatures were not obtained from the student.

Cause and Effect

The instances noted above were the result of DSPS specialists and staff not strictly enforcing the District's policy and procedures related to the DSPS program. However, in these instances, we were able to verify that the student had on file a properly completed and updated Student Educational Contract and third-party verification of their disability; therefore, we did not identify that these instances were in noncompliance with CCR, Title 5, Sections 56000-56076.

Questioned Costs

None.

Recommendation

We recommend that the District consistently enforce its policy and procedures related to DSPS services which require student signature on either the Learning Disabilities Services Consent Form or the Learning Assistance Program Application for Services.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

District Response

We agree and will adhere more strictly to the established policy and procedures as they relate to DSPS services.

Current Status

Implemented.

2014-003 Internal Controls over Concurrent Enrollment

Criteria

In accordance with California Education Code, the District may claim FTES for the attendance of K-12 pupils who take courses offered by the District under a concurrent enrollment arrangement. The District has adopted procedures relating to course enrollment and approval. Procedures shall include obtaining a high school application contain a high school designee signature to ensure that the student has permission to enroll at the District.

Condition

During our testwork in accordance with state compliance requirements related to Concurrent Enrollment, we identified one instance in which the signature obtained on the student's application was not an individual previously approved as a designee.

Cause and Effect

The instance noted above was the result of District personnel not strictly enforcing the District's policy and procedures related to concurrent enrollment which includes an approved high school designee signature on the application. However, in this instance, we were able to verify that the application for concurrent enrollment was in compliance with California Education Code.

Questioned Costs

None.

Recommendation

We recommend that the District consistently enforce its policy and procedures related to Concurrent Enrollment services which require an approved designee signature on all student applications.

District Response

The District staff will review and enforce the policy and procedures as they relate to concurrent enrollment services.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Current Status

Implemented.

2014-004 Inaccurate Attendance Records

Criteria

In accordance with CCR, Title 5, Sections 58020-58024, 58030 and 59025, and the Student Attendance Accounting Manual, the District is required to adopt procedures relating to course enrollment, attendance and disenrollment information. Procedures shall include rules for retention of support documentation which shall enable an independent determination regarding the accuracy of tabulations submitted by the District for apportionment funding.

Condition

During our testwork in accordance with State compliance requirements related to State General Apportionment Funding, we identified five instances in which supporting attendance records did not agree with District tabulations per the Banner software. Our testwork sample was selected from supporting attendance reports for the Annual Report. All instances of errors were the result of a manual input error by the instructor and/or District staff for total semester attendance hours under the Actual Hours of Attendance procedures.

Cause and Effect

The District was not in accordance with CCR, Title 5, Sections 58020-58024, 58030 and 59025, and the Student Attendance Accounting Manual for the instances noted above.

Questioned Costs

In our sample, FTEs were overstated by .15 due to the inaccurate calculation of contact hours on the Annual report. We extrapolated the error rate to the entire population of the respective attendance procedure type for a net overstatement of 3.90 FTEs.

Recommendation

We recommend that the District ensure tabulations submitted by the District for apportionment funding are supported by and agree to attendance records in accordance with CCR, Title 5, Sections 58020-58024, 58030 and 59025. We further recommend that District personnel are adequately trained in the calculation of contact hours for Actual Hours of Attendance.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

District Response

The District agrees with the finding and will proceed with the recommendations as stated.

Current Status

Implemented.

2014-005 Student Educational Contracts

Criteria

In accordance with CCR, Title 5, Sections 56000-56076, the District is required to adopt procedures relating to verifying eligibility for Disabled Student Programs and Services (DSPS). Procedures shall include identifying students' educational limitations, recommending services based on the students' educational limitations, and documenting such limitations and services offered in Student Educational Contract (SEC).

Condition

During our testwork in accordance with State compliance requirements related to Disabled Student Programs and Services (DSPS), we identified one instance in which a Student Educational Contract was not maintained for a student being provided support services. Our testwork sample was selected from a student listing maintained by the District indicating all students eligible for services for 2013-2014. The instance identified was for a student who received supporting services in 2013-2014 in the form of access and use of the District's testing center.

Cause and Effect

The District was not in accordance with CCR, Title 5, Sections 56000-56076 for the instance noted above.

Questioned Costs

In our sample, one student did not have on file the required Student Educational Contract. We extrapolated the error rate to the entire population of students eligible to receive services for a total extrapolated error of 16 students.

Recommendation

We recommend that the District ensure Student Educational Contracts are maintained on file for all students eligible to received Disabled Student Programs and Services in accordance with CCR, Title 5, Sections 56000-56076.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

District Response

The District agrees with the finding and will conform to the recommendations.

Current Status

Implemented.