



ALLAN HANCOCK JOINT
COMMUNITY COLLEGE
DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements - Primary Government	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	13
Statement of Cash Flows	14
Fiduciary Funds	
Statement of Net Position	16
Statement of Changes in Net Position	17
Notes to Financial Statements	18

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Asset and Related Ratios	62
Schedule of District Contributions for OPEB	63
Schedule of OPEB Investment Returns	64
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	65
Schedule of the District's Proportionate Share of the Net Pension Liability	66
Schedule of District Contributions for Pensions	67
Note to Required Supplementary Information	68

SUPPLEMENTARY INFORMATION

District Organization	71
Schedule of Expenditures of Federal Awards	72
Schedule of Expenditures of State Awards	74
Schedule of Workload Measures for State General Apportionment	76
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	77
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements	80
Proposition 30 Education Protection Act (EPA) Expenditure Report	81
Reconciliation of Governmental Funds to the Statement of Net Position	82
Note to Supplementary Information	84

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	87
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	89
Report on State Compliance	91

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	94
Financial Statement Findings and Recommendations	95
Federal Awards Findings and Questioned Costs	96
State Awards Findings and Questioned Costs	97
Summary Schedule of Prior Audit Findings	98

FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2017, 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, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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, 2017, 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 17 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 and other required supplementary schedules on pages 62 through 67 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 13, 2017

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, 2017. 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, 2017

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, 2017

FINANCIAL HIGHLIGHTS

Net Position

The District's net position was \$67.7 million for the fiscal year ended June 30, 2017. Of this amount, \$(34.5) 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)

	2017	2016	Change
ASSETS			
Current Assets			
Cash and investments	\$ 47,485	\$ 49,629	\$ (2,144)
Accounts receivable and other assets	9,534	4,607	4,927
Total Current Assets	<u>57,019</u>	<u>54,236</u>	<u>2,783</u>
Net other postemployment benefits (OPEB) asset	9,164	7,129	2,035
Capital Assets (net)	204,708	207,439	(2,731)
Total Assets	<u>270,891</u>	<u>268,804</u>	<u>2,087</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	4,009	4,293	(284)
Deferred outflows of resources related to pensions	13,079	11,828	1,251
Total Deferred Outflow of Resources	<u>17,088</u>	<u>16,121</u>	<u>967</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	7,501	7,550	(49)
Unearned revenue	6,819	6,434	385
Current portion of long-term obligations other than pensions	1,863	1,697	166
Total Current Liabilities	<u>16,183</u>	<u>15,681</u>	<u>502</u>
Long-Term Obligations	<u>199,464</u>	<u>191,405</u>	<u>8,059</u>
Total Liabilities	<u>215,647</u>	<u>207,086</u>	<u>8,561</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>4,651</u>	<u>9,723</u>	<u>(5,072)</u>
NET POSITION			
Net investment in capital assets	74,997	77,502	(2,505)
Restricted	27,205	24,326	2,879
Unrestricted	(34,521)	(33,712)	(809)
Total Net Position	<u>\$ 67,681</u>	<u>\$ 68,116</u>	<u>\$ (435)</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.

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).

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 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)

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Operating Revenues			
Tuition and fees	\$ 4,524	\$ 4,588	\$ (64)
Auxiliary Enterprise sales and charges and other operating revenues	185	2,282	(2,097)
Total Operating Revenues	<u>4,709</u>	<u>6,870</u>	<u>(2,161)</u>
Operating Expenses			
Salaries and benefits	59,032	56,274	2,758
Supplies, materials, and other operating expenses	17,859	16,714	1,145
Student financial aid	12,415	12,761	(346)
Depreciation	5,830	5,715	115
Total Operating Expenses	<u>95,136</u>	<u>91,464</u>	<u>3,672</u>
Loss on Operations	<u>(90,427)</u>	<u>(84,594)</u>	<u>(5,833)</u>
Nonoperating Revenues			
State apportionments	35,696	34,072	1,624
Property taxes	23,189	21,950	1,239
Grants and contracts	28,451	25,138	3,313
State revenues	3,025	7,444	(4,419)
Net interest expense	(6,184)	(6,227)	43
Other nonoperating revenues	4,468	3,085	1,383
Total Nonoperating Revenues	<u>88,645</u>	<u>85,462</u>	<u>3,183</u>
Other Revenues and Losses			
State, local capital income and losses, net	<u>1,347</u>	<u>1,949</u>	<u>(602)</u>
Net Change in Net Position	<u>\$ (435)</u>	<u>\$ 2,817</u>	<u>\$ (3,252)</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 \$90.4 million is balanced by other funding sources. Total District expenses exceeded total revenues by \$435 thousand for the year ended June 30, 2017.

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 10 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)

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (86,560)	\$ (77,186)	\$ (9,374)
Noncapital financing activities	84,708	85,913	(1,205)
Capital financing activities	(647)	(1,151)	504
Investing activities	355	156	199
Net Increase (Decrease) in Cash	<u>(2,144)</u>	<u>7,732</u>	<u>(9,876)</u>
Cash, Beginning of Year	49,629	41,897	7,732
Cash, End of Year	<u>\$ 47,485</u>	<u>\$ 49,629</u>	<u>\$ (2,144)</u>

The primary operating receipts are student tuition and fees. 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, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$204.7 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 6 of the financial statements.

(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
Land and construction in progress	\$ 53,961	\$ 52,580
Buildings and improvements	178,176	177,333
Furniture and equipment	24,393	23,565
Total Capital Assets	<u>256,530</u>	<u>253,478</u>
Less accumulated depreciation	(51,822)	(46,039)
Capital Assets, Net	<u><u>\$ 204,708</u></u>	<u><u>\$ 207,439</u></u>

Long-Term Obligations

At the end of this year, the District had \$201.3 million in outstanding long-term obligations. This is primarily made up of \$146.0 million of general obligation bonds. Additional information related to long-term obligations is found in Note 10 of the financial statements.

(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 145,950	\$ 145,251
Compensated absences	1,129	1,331
Capital leases	99	-
Aggregate net pension obligation	54,149	46,520
Total Long-Term Obligations	<u><u>\$ 201,327</u></u>	<u><u>\$ 193,102</u></u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 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 transferred \$1,039,566 into the postemployment retiree benefit liability fund (OPEB), bringing the total balance to \$8,998,203.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES 2017-2018

The fiscal year 2017-2018 budget focus is on maintaining fiscal stability and managing reserves in light of the declining enrollment experienced in the past four fiscal years. Funding priorities include teaching faculty, supplies, and student worker support to relieve capacity constraints in high demand program areas such as science, math and English. The actual enrollment forecast for fiscal year 2017-2018 is expected to remain flat, and will decline from the reported enrollment of 10,022 FTES at annual fiscal year 2016-2017. This will trigger stability funding in fiscal year 2017-2018. The District will plan to shift allowable FTES into fiscal year 2018-2019 to maximize restoration opportunity. The District will benefit from increased revenue in fiscal year 2017-2018 due to a base adjustment of approximately \$1,342,976 and COLA of 1.56 percent or approximately \$763,298. Significant components of the revenue budget include these adjustments to funding over the prior fiscal year: a \$1,342,976 increase in base revenue, the bookstore contract payment of \$280,000 and a projected State deficit of 2.5 percent which will reduce funding by \$1,454,208. Notable increases over last year in the expenditure budget include an increase in Academic Salaries of \$827,790 and Classified Salaries at \$1,222,019. Costs continue to increase for employer contributions into the STRS and PERS retirement pools with an anticipated \$1,207,593 additional combined contribution over the prior fiscal year. The Adopted Budget anticipates a balance of \$7,015,238 in the Unrestricted Reserve representing 11.50 percent of the budgeted expenditures.

Management closely monitors 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, 2017**

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,324,619
Investments	46,160,073
Accounts receivable	8,955,154
Student receivable	322,372
Due from fiduciary funds	3,688
Prepaid expenses	253,117
Total Current Assets	<u>57,019,023</u>

Noncurrent Assets

Net other postemployment benefits (OPEB) asset	9,164,117
Nondepreciable capital assets	53,961,055
Depreciable capital assets, net of depreciation	150,746,953
Total Noncurrent Assets	<u>213,872,125</u>

TOTAL ASSETS

270,891,148

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	4,008,863
Deferred outflows of resources related to pensions	13,078,824
Total Deferred Outflows of Resources	<u>17,087,687</u>

LIABILITIES

Current Liabilities

Accounts payable	5,544,526
Accrued interest payable	1,956,384
Unearned revenue	6,818,907
Current portion of long-term obligations other than pensions	1,863,078
Total Current Liabilities	<u>16,182,895</u>

Noncurrent Liabilities

Noncurrent portion of long-term obligations other than pensions	145,314,385
Aggregate net pension obligation	54,149,345
Total Noncurrent Liabilities	<u>199,463,730</u>

TOTAL LIABILITIES

215,646,625

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	4,651,182
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NET POSITION

Net investment in capital assets	74,997,225
Restricted for:	
Debt service	6,025,992
Capital projects	7,122,647
Educational programs	13,320,923
Other activities	734,940
Unrestricted	(34,520,699)
TOTAL NET POSITION	<u>\$ 67,681,028</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, 2017**

OPERATING REVENUES	
Student Tuition and Fees	\$ 10,062,531
Less: Scholarship discount and allowance	(5,538,177)
Net tuition and fees	<u>4,524,354</u>
Other Operating Revenues	<u>184,696</u>
TOTAL OPERATING REVENUES	<u>4,709,050</u>
OPERATING EXPENSES	
Salaries	45,458,326
Employee benefits	13,573,862
Supplies, materials, and other operating expenses and services	16,197,615
Student financial aid	12,414,706
Equipment, maintenance, and repairs	1,661,217
Depreciation	5,830,112
TOTAL OPERATING EXPENSES	<u>95,135,838</u>
OPERATING LOSS	<u>(90,426,788)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	35,695,935
Local property taxes, levied for general purposes	16,842,796
Taxes levied for other specific purposes	6,346,001
Federal grants	13,227,969
State grants	15,223,527
State taxes and other revenues	3,024,957
Investment income	290,318
Interest expense on capital related debt	(6,512,615)
Investment income on capital asset-related debt, net	38,260
Transfer to fiduciary funds	(182,047)
Other nonoperating revenue	4,649,033
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>88,644,134</u>
LOSS BEFORE OTHER REVENUES AND (LOSSES)	<u>(1,782,654)</u>
OTHER REVENUES AND (LOSSES)	
State revenues, capital	1,237,889
Local revenues, capital	111,920
Loss on disposal of capital assets	(2,442)
TOTAL OTHER REVENUES AND (LOSSES)	<u>1,347,367</u>
CHANGE IN NET POSITION	<u>(435,287)</u>
NET POSITION, BEGINNING OF YEAR	<u>68,116,315</u>
NET POSITION, END OF YEAR	<u><u>\$ 67,681,028</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 5,825,573
Payments to vendors for supplies and services	(20,155,302)
Payments to or on behalf of employees	(60,000,183)
Payments to students for scholarships and grants	(12,414,706)
Other operating	184,696
Net Cash Flows From Operating Activities	<u>(86,559,922)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	30,695,291
Grant and contracts	29,068,009
Property taxes - nondebt related	16,842,796
State taxes and other apportionments	2,828,015
Other nonoperating	5,273,422
Net Cash Flows From Noncapital Financing Activities	<u>84,707,533</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(2,925,992)
Proceeds from capital debt	2,882,522
State revenue, capital projects	1,237,889
Local revenue, capital projects	111,920
Property taxes - related to capital debt	6,346,001
Principal paid on capital debt	(2,084,615)
Interest paid on capital debt	(6,252,566)
Interest received on capital asset-related debt	38,260
Net Cash Flows From Capital Financing Activities	<u>(646,581)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	354,791
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NET CHANGE IN CASH AND CASH EQUIVALENTS

(2,144,179)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

49,628,871

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 47,484,692

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, 2017**

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

Operating Loss	<u>\$ (90,426,788)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	5,830,112
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	16,087
Prepaid expenses	(17,576)
Accounts payable and accrued liabilities	(38,310)
Unearned revenue	(992,887)
Net other postemployment benefits (OPEB) asset	(2,034,925)
Deferred outflows of resources related to pensions	(1,251,020)
Deferred inflows of resources related to pensions	(5,071,709)
Aggregate net pension obligation	7,629,324
Compensated absences	(202,230)
Total Adjustments	<u>3,866,866</u>
Net Cash Flows From Operating Activities	<u><u>\$ (86,559,922)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,324,619
Cash in county treasury	46,160,073
Total Cash and Cash Equivalents	<u><u>\$ 47,484,692</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 1,701,070</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, 2017

	Retiree OPEB Trust	Other Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 995,909	\$ 154,833
Investments	8,998,203	149,921	-
Accounts receivable	-	5,358	690
Student receivable	-	29,430	-
Prepaid expenses	-	760	10
Inventories	-	-	41,127
Other current assets	-	-	9,648
Total Assets	<u>8,998,203</u>	<u>1,181,378</u>	<u>\$ 206,308</u>
LIABILITIES			
Accounts payable	-	2,919	\$ 9,186
Due to primary government	-	3,661	27
Unearned revenue	-	26,219	-
Due to student groups	-	-	197,095
Total Liabilities	<u>-</u>	<u>32,799</u>	<u>\$ 206,308</u>
NET POSITION			
Restricted for postemployment benefits other than pensions	8,998,203	-	
Unrestricted	-	1,148,579	
Total Net Position	<u>\$ 8,998,203</u>	<u>\$ 1,148,579</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, 2017**

	Retiree OPEB Trust	Other Trusts
ADDITIONS		
District Contributions	\$ 1,039,566	\$ -
Interest and investment income	275,476	-
Net realized and unrealized gain	525,502	-
Local revenues	-	329,684
TOTAL ADDITIONS	1,840,544	329,684
DEDUCTIONS		
Classified salaries	-	12,831
Employee benefits	-	529
Books and supplies	-	84,125
Administrative expenses	74,291	-
Services and operating expenditures	-	280,670
TOTAL DEDUCTIONS	74,291	378,155
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	182,047
Other sources	-	15,784
Other uses	-	(47,020)
TOTAL OTHER FINANCING SOURCES (USES)	-	150,811
CHANGE IN NET POSITION	1,766,253	102,340
NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 17)	7,231,950	1,046,239
NET POSITION - END OF YEAR	\$ 8,998,203	\$ 1,148,579

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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.

Allan Hancock Joint Community College District Futuris Trust

Allan Hancock Joint Community College District Futuris Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Allan Hancock Joint Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

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, 2017

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) 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, 2017, is as follows:

Condensed Combining Statement of Net Position

	PCPA	Associated Students Trust Fund	Total
ASSETS			
Current assets	\$ 897,261	\$ 73,062	\$ 970,323
LIABILITIES			
Current liabilities	424,280	2,682	426,962
NET POSITION			
Restricted	472,981	70,380	543,361
Total Net Position	<u>\$ 472,981</u>	<u>\$ 70,380</u>	<u>\$ 543,361</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

	PCPA	Associated Students Trust Fund	Total
OPERATING REVENUES			
Auxiliary enterprise sales and charges	\$ 2,713,637	\$ -	\$ 2,713,637
Local revenues	-	36,755	36,755
Total Operating Revenues	<u>2,713,637</u>	<u>36,755</u>	<u>2,750,392</u>
OPERATING EXPENDITURES			
Operating expenses	<u>2,447,501</u>	<u>33,711</u>	<u>2,481,212</u>
CHANGE IN NET POSITION	266,136	3,044	269,180
NET POSITION, BEGINNING OF YEAR	<u>206,845</u>	<u>67,336</u>	<u>274,181</u>
NET POSITION, END OF YEAR	<u>\$ 472,981</u>	<u>\$ 70,380</u>	<u>\$ 543,361</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, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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 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.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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, 2017

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 Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

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 deferred charges on refunding of debt and for pension related items.

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 pension related items.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events. 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.

Noncurrent Liabilities

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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 \$27,204,502 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.

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.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Scholarships, Discounts, and Allowances

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

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

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 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 GASB 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 GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

As a result of implementing GASB Statement No. 74, the District has restated the beginning net position in the fiduciary funds Statement of Net Position, effectively increasing the District's fiduciary Net Position as of July 1, 2016 by \$7,231,950. This increase results from accounting for the District's OPEB Trust account within the District's fiduciary funds.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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 GASB 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. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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, 2017

General Authorizations

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

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

Authorized Under Debt Agreements

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, 2017, consist of the following:

Primary government	\$ 47,484,692
Fiduciary funds	10,298,866
Total Deposits and Investments	<u>\$ 57,783,558</u>
Cash on hand and in banks	\$ 2,419,911
Cash in revolving	55,450
Investments	55,308,197
Total Deposits and Investments	<u>\$ 57,783,558</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 and mutual funds.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
Santa Barbara County Investment Pool	\$ 46,309,994	\$ 46,285,159	405
Mutual Funds	8,998,203	8,998,203	N/A
Total	<u>\$ 55,308,197</u>	<u>\$ 55,283,362</u>	

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 and Mutual Funds are not required to be rated, nor have been rated as of June 30, 2017.

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, 2017, the District's bank balance of \$2,425,361 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, 2017

NOTE 4 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Barbara County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Uncategorized</u>
Santa Barbara County Investment Pool	\$ 46,285,159	\$ -	\$ 46,285,159
Mutual Funds	8,998,203	8,998,203	-
Total	<u>\$ 55,283,362</u>	<u>\$ 8,998,203</u>	<u>\$ 46,285,159</u>

All assets have been valued using a market approach, with quoted market prices.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, 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	\$ 625,244	\$ -
State Government		
Apportionment	4,980,603	-
Categorical aid	1,678,748	-
Lottery	392,903	-
Other State sources	447,633	
Local Sources		
Enrollment fees	188,421	-
Other local sources	641,602	6,048
Total	<u>\$ 8,955,154</u>	<u>\$ 6,048</u>
Student receivables	<u>\$ 322,372</u>	<u>\$ 29,430</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 3,758,448	\$ -	\$ -	\$ 3,758,448
Construction in progress	48,821,726	2,223,437	842,556	50,202,607
Total Capital Assets Not Being Depreciated	<u>52,580,174</u>	<u>2,223,437</u>	<u>842,556</u>	<u>53,961,055</u>
Capital Assets Being Depreciated				
Land improvements	5,827,428	-	-	5,827,428
Buildings and improvements	171,505,302	842,556	-	172,347,858
Furniture and equipment	23,565,138	877,799	49,689	24,393,248
Total Capital Assets Being Depreciated	<u>200,897,868</u>	<u>1,720,355</u>	<u>49,689</u>	<u>202,568,534</u>
Total Capital Assets	<u>253,478,042</u>	<u>3,943,792</u>	<u>892,245</u>	<u>256,529,589</u>
Less Accumulated Depreciation				
Land improvements	3,433,114	186,458	-	3,619,572
Buildings and improvements	32,149,663	3,653,497	-	35,803,160
Furniture and equipment	10,455,939	1,990,157	47,247	12,398,849
Total Accumulated Depreciation	<u>46,038,716</u>	<u>5,830,112</u>	<u>47,247</u>	<u>51,821,581</u>
Net Capital Assets	<u>\$ 207,439,326</u>	<u>\$ (1,886,320)</u>	<u>\$ 844,998</u>	<u>\$ 204,708,008</u>

Depreciation expense for the year was \$5,830,112.

Interest expense on capital related debt for the year ended June 30, 2017, was \$6,679,180. Of this amount, \$166,565 was capitalized.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 741,158	\$ -
Construction	3,482,255	-
Student liabilities	8,288	-
Other	1,312,825	12,105
Total	<u>\$ 5,544,526</u>	<u>\$ 12,105</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	\$ 28,184	\$ -
State categorical aid	4,349,142	-
Enrollment fees	1,955,796	26,219
Other local	485,785	-
Total	<u>\$ 6,818,907</u>	<u>\$ 26,219</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2017, the amounts owed between the primary government and the fiduciary funds were \$3,688 and \$0, respectively.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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 2017 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$182,047. The amount transferred to the primary government from the fiduciary funds amounted to \$0.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
Bonds Payable					
General obligation bonds, 2006					
Series A	\$ 5,735,000	\$ -	\$ 1,260,000	\$ 4,475,000	\$ 110,000
General obligation bonds, 2009					
Series B and B-1	26,620,000	-	110,000	26,510,000	125,000
General obligation bonds, 2012					
Series C	45,215,798	2,542,043	-	47,757,841	-
General obligation bonds, 2013					
Series D	7,018,440	219,560	55,000	7,183,000	50,000
General obligation bonds, 2014					
Refunding Bonds	51,560,000	-	-	51,560,000	1,195,000
Unamortized bond premium	9,101,397	-	637,146	8,464,251	-
Total Bonds Payable	<u>145,250,635</u>	<u>2,761,603</u>	<u>2,062,146</u>	<u>145,950,092</u>	<u>1,480,000</u>
Other Liabilities					
Compensated absences	1,331,151	-	202,230	1,128,921	360,362
Capital leases	-	120,919	22,469	98,450	22,716
Aggregate net pension obligation	46,520,021	7,629,324	-	54,149,345	-
Total Other Liabilities	<u>47,851,172</u>	<u>7,750,243</u>	<u>224,699</u>	<u>55,376,716</u>	<u>383,078</u>
Total Long-Term Obligations	<u>\$ 193,101,807</u>	<u>\$ 10,511,846</u>	<u>\$ 2,286,845</u>	<u>\$ 201,326,808</u>	<u>\$ 1,863,078</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding was \$4,475,000.

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, 2017, the principal balance outstanding was \$26,510,000.

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, 2017, the principal balance outstanding was \$47,757,841.

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, 2017, the principal balance outstanding was \$7,183,000.

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, 2030, 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, 2017, the principal balance outstanding was \$51,560,000. Unamortized premium received on issuance of the bonds amounted to \$8,464,251 as of June 30, 2017.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2017
2006	08/01/31	4.00%-5.00%	\$ 68,000,000	\$ 5,735,000	\$ -	\$ 1,260,000	\$ 4,475,000
2009	08/01/34	4.00%-5.00%	29,999,556	26,620,000	-	110,000	26,510,000
2012	08/01/47	2.00%-5.70%	38,996,200	45,215,798	2,542,043	-	47,757,841
2013	08/01/39	2.00%-4.75%	8,773,376	7,018,440	219,560	55,000	7,183,000
2014	08/01/30	2.00%-5.00%	52,260,000	51,560,000	-	-	51,560,000
				<u>\$ 136,149,238</u>	<u>\$ 2,761,603</u>	<u>\$ 1,425,000</u>	<u>\$ 137,485,841</u>

The Series A bonds mature through 2032 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	\$ 110,000	\$ 201,875	\$ 311,875
2019	135,000	196,088	331,088
2020	160,000	189,050	349,050
2021	185,000	181,350	366,350
2022	210,000	172,925	382,925
2023-2027	1,565,000	672,520	2,237,520
2028-2032	2,110,000	202,124	2,312,124
Total	<u>\$ 4,475,000</u>	<u>\$ 1,815,932</u>	<u>\$ 6,290,932</u>

The Series B bonds mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	155,000	1,858,910	2,013,910
2022	160,000	1,851,035	2,011,035
2023-2027	835,000	9,102,470	9,937,470
2028-2032	7,285,000	8,596,912	15,881,912
2033-2035	17,670,000	1,379,637	19,049,637
Total	<u>\$ 26,510,000</u>	<u>\$ 28,406,044</u>	<u>\$ 54,916,044</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The Series C bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2028-2032	\$ -	\$ -	\$ 1,969,920	\$ 1,969,920
2033-2037	5,236,800	9,353,200	18,653,856	33,243,856
2038-2042	13,133,801	21,116,199	23,031,482	57,281,482
2043-2047	23,385,380	32,639,620	12,621,053	68,646,053
2048	6,001,860	8,928,140	418,040	15,348,040
Total	\$ 47,757,841	\$ 72,037,159	\$ 56,694,351	\$ 176,489,351

The Series D bonds mature through 2040 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 50,000	\$ -	\$ 143,400	\$ 193,400
2019	55,000	-	141,300	196,300
2020	60,000	-	139,000	199,000
2021	60,000	-	136,600	196,600
2022	60,000	-	134,725	194,725
2023-2027	300,000	-	647,582	947,582
2028-2032	235,163	99,837	601,165	936,165
2033-2037	2,525,884	4,489,116	592,561	7,607,561
2038-2040	3,836,953	3,348,047	296,280	7,481,280
Total	\$ 7,183,000	\$ 7,937,000	\$ 2,832,613	\$ 17,952,613

The 2014 Refunding bonds mature through 2031 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	2,035,000	2,262,513	4,297,513
2022	2,370,000	2,162,563	4,532,563
2023-2027	18,230,000	8,471,060	26,701,060
2028-2031	24,560,000	2,510,530	27,070,530
Total	\$ 51,560,000	\$ 22,593,430	\$ 74,153,430

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Capital Leases

The District has entered into agreements to lease vehicles. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2016	\$ -
Additions	134,764
Payments	25,221
Balance, June 30, 2017	<u>\$ 109,543</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	\$ 26,955
2019	26,955
2020	26,955
2021	22,201
2022	6,477
Total	<u>109,543</u>
Less: Amount Representing Interest	11,093
Present Value of Minimum Lease Payments	<u>\$ 98,450</u>

The vehicles purchased through capital lease arrangements has been capitalized and is being depreciated over the estimated useful lives.

Vehicles	\$ 134,764
Less: Accumulated depreciation	13,811
Total	<u>\$ 120,953</u>

Amortization of the leased vehicles under capital lease is included with depreciation expense.

Compensated Absences

At June 30, 2017, the liability for compensated absences was \$1,128,921.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to \$54,149,345. See Note 13 for additional information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Plan Description

Plan administration. The District's Governing Board administers the Postemployment Benefits Plan (the "Plan"), a single-employer defined benefit Plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested with the Allan Hancock Joint Community College District Retirement Board of Authority, which consists of locally appointed Plan members.

Plan membership. At June 30, 2017, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	91
Active plan members	<u>253</u>
	<u><u>344</u></u>

Benefits provided. 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.

Contribution Information

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District, the local California School Employees Association (CSEA), the Faculty Association of Allan Hancock College, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by Allan Hancock Joint Community College District Governing Board. For fiscal year 2016-2017, the District contributed \$1,525,633 to the Plan, of which \$486,067 was used for current premiums and \$1,039,566 was transferred to the OPEB irrevocable trust. Plan members are not required to contribute to the Plan.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Allan Hancock Joint Community College District Retirement Board of Authority by a majority vote of its members. It is the policy of the Retirement Board of Authority to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%
Total	<u>100%</u>

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Total Net OPEB Liability of the District

The component of the total net OPEB liability of the District as June 30, 2017, were as follows:

Total OPEB liability	\$ 8,158,875
Plan fiduciary net position	<u>8,998,203</u>
District's net OPEB asset	<u>(839,328)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>110%</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.00 percent
Healthcare cost trend rates	4.00 percent

Mortality rates were based on the 2009 CalSTRS Mortality tables for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees tables for classified employees.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study as of June 2015.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	9.1%
Fixed income	4.8%
International equity	8.7%
Real estate	7.5%
Cash	1.0%

Discount rate. The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount and healthcare cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and healthcare cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

NOTE 12 - RISK MANAGEMENT

Property and Liability 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, 2017, 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, 2017, 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, 2017**

Workers' Compensation

For fiscal year 2016-2017, 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 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 31,984,006	\$ 6,294,143	\$ 3,902,683	\$ 2,696,215
CalPERS	22,165,339	6,784,681	748,499	3,004,852
Total	<u>\$ 54,149,345</u>	<u>\$ 13,078,824</u>	<u>\$ 4,651,182</u>	<u>\$ 5,701,067</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015, 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.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The STRP provisions and benefits in effect at June 30, 2017, 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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above, and the District's total contributions were \$2,423,719.

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

At June 30, 2017, 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	\$ 31,984,006
State's proportionate share of net pension liability associated with the District	18,207,924
Total	<u>\$ 50,191,930</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.0395 percent and 0.0445 percent, respectively, resulting in a net decrease in the proportionate share of 0.0050 percent.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$2,696,215. In addition, the District recognized pension expense and revenue of \$1,759,988 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,423,719	\$ -
Net change in proportionate share of net pension liability	1,327,711	3,122,469
Differences between projected and actual earnings on the pension plan investments	2,542,713	-
Differences between expected and actual experience in the measurement of the total pension liability	-	780,214
Total	<u>\$ 6,294,143</u>	<u>\$ 3,902,683</u>

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

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

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 55,474
2019	55,474
2020	1,478,087
2021	953,678
Total	<u>\$ 2,542,713</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (397,262)
2019	(397,262)
2020	(397,262)
2021	(397,262)
2022	(397,261)
Thereafter	(588,663)
Total	<u>\$ (2,574,972)</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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, 2017

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's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

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%)	\$ 46,032,198
Current discount rate (7.60%)	31,984,006
1% increase (8.60%)	20,316,394

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, are presented above, and the total District contributions were \$1,970,753.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$22,165,339. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.1122 percent and 0.1125 percent, respectively, resulting in a net decrease in the proportionate share of 0.0003 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$3,004,852. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,970,753	\$ -
Net change in proportionate share of net pension liability	421,259	82,563
Differences between projected and actual earnings on the pension plan investments	3,439,347	-
Differences between expected and actual experience in the measurement of the total pension liability	953,322	-
Changes of assumptions	-	665,936
Total	<u>\$ 6,784,681</u>	<u>\$ 748,499</u>

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 482,414
2019	482,414
2020	1,576,881
2021	897,638
Total	<u>\$ 3,439,347</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 248,688
2019	282,714
2020	94,680
Total	<u>\$ 626,082</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 33,070,809
Current discount rate (7.65%)	22,165,339
1% increase (8.65%)	13,084,389

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, which amounted to \$1,701,070, (8.828 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, 2017. 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 14 - 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, 2017, the District made payments of \$356,193, \$5,820,808, and \$1,033,579 to BACCD, SISC III, and SIPE, respectively.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2017.

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, 2017.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. 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
2018	\$ 124,938
2019	111,078
Total	<u>\$ 236,016</u>

Total lease expense of \$125,269 was included in other operating expenses and services for the year ended June 30, 2017.

In addition to the above operating leases, the District also has a lease agreement with the Columbia Business Center Partners for the PCPA space. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Lease Payment
2018	\$ 279,396
2019	290,568
2020	290,568
2021	302,196
2022	302,196
2023-2026	1,245,036
Total	<u>\$ 2,709,960</u>

Total lease expense of \$279,506 was included in other operating expenses and services for the year ended June 30, 2017.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Public Safety Complex	\$ 233,624	2017-2018
Industrial Tech Modernization	11,781	2017-2018
Building N Boiler Replacement	2,752	2017-2018
Well Water Irrigation Conv. Phase II	49,000	2017-2018
Site Concrete Replacement, LVC	3,960	2017-2018
Building K Roof Replacement	4,368	2017-2018
One Stop Bldg. A Additional Construction	40,261	2017-2018
Parking Lot 1 Exp., Phase II - Construction	564	2017-2018
Bldg. R1 Renovation	42,044	2017-2018
Bldg. R2 Renovation	45,142	2017-2018
	<u>\$ 433,496</u>	

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, 2017**

NOTE 16 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2017, are:

	Salaries	Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instruction	\$ 21,609,628	\$ 5,900,736	\$ 3,498,217	\$ -	\$ 31,008,581
Instructional Administration	2,672,447	773,810	760,473	-	4,206,730
Instructional Support Services	1,350,506	382,079	191,473	-	1,924,058
Admissions and Records	568,838	215,126	78,905	-	862,869
Counseling and Guidance	3,410,835	859,805	1,483,891	-	5,754,531
Other Student Services	3,347,507	829,924	716,227	-	4,893,658
Operations and Maintenance	2,372,394	869,977	1,959,169	-	5,201,540
Planning and Policy Making	1,014,923	354,920	329,214	-	1,699,057
General Institutional Services	4,495,405	1,959,249	3,455,306	-	9,909,960
Community Services	595,988	255,742	1,282,027	-	2,133,757
Ancillary Services	2,063,950	586,782	1,187,821	-	3,838,553
Auxiliary Operations	1,955,905	585,332	904,863	-	3,446,100
Physical Property and Related Acquisitions	-	380	1,236,527	-	1,236,907
Transfers and Student Payments	-	-	13,189,425	-	13,189,425
Depreciation	-	-	-	5,830,112	5,830,112
Total	\$ 45,458,326	\$ 13,573,862	\$ 30,273,538	\$ 5,830,112	\$ 95,135,838

NOTE 17 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District's beginning fiduciary net position has been restated as of July 1, 2016.

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position for the fiduciary funds by \$7,231,950.

Primary Government	
Fiduciary Net Position - Beginning of Year	\$ 1,046,239
Restatement of Retiree OPEB Trust for implementation of GASB Statement No. 74	7,231,950
Fiduciary Net Position - Beginning of Year, as Restated	<u>\$ 8,278,189</u>

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 18 - SUBSEQUENT EVENT

On October 31, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series B (2019 Crossover) in the amount of \$24,275,000. The bonds will advance refund, on a crossover basis, the District's outstanding Election of 2006 General obligation Bonds, Series B-1 and pay the costs of issuing the Bonds.

On November 16, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series A in the amount of \$13,515,000 to currently refund the District's outstanding Election of 2006 General Obligation Bonds, Series A, to advance refund certain of the District's outstanding Election of 2006 General Obligation Bonds, Series B, to advance refund certain of the District's outstanding Election of 2006 General Obligation Bonds, Series C, and to pay the costs of issuing the Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Total OPEB Asset*	
Annual required contribution	\$ 217,395
Pay-as-you go contributions	(486,067)
Contributions made to Irrevocable Trust	(1,039,566)
Change in value of Irrevocable Trust	<u>(726,687)</u>
Net Changes in Total OPEB Asset	(2,034,925)
Total OPEB Asset - Beginning	<u>(7,129,192)</u>
Total OPEB Asset - Ending	<u>\$ (9,164,117)</u>
Plan Fiduciary Net Position**	
Contributions - employer	\$ 1,039,566
Net investment income	800,978
Administrative expense	<u>(74,291)</u>
Net Change in Plan Fiduciary Net Position	1,766,253
Plan Fiduciary Net Position - Beginning	<u>7,231,950</u>
Plan Fiduciary Net Position - Ending	<u>\$ 8,998,203</u>

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

* The Total Net OPEB Liability was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

See accompanying note to required supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 217,395
Contributions in relations to the actuarially determined contribution	1,525,633
Contribution deficiency (excess)	\$ (1,308,238)
Covered-employee payroll	\$ 33,459,916
Contribution as a percentage of covered-employee payroll	4.56%

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

See accompanying note to required supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	10.06%

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

See accompanying note to required supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

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	8,158,875	932,874	89%	N/A	N/A

* Entry age normal method

See accompanying note to required supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0395%</u>	<u>0.0445%</u>	<u>0.0419%</u>
District's proportionate share of the net pension liability	\$ 31,984,006	\$ 29,940,012	\$ 24,496,314
State's proportionate share of the net pension liability associated with the District	<u>18,207,924</u>	<u>15,834,966</u>	<u>14,791,932</u>
Total	<u>\$ 50,191,930</u>	<u>\$ 45,774,978</u>	<u>\$ 39,288,246</u>
District's covered-employee payroll	<u>\$ 18,337,484</u>	<u>\$ 17,841,340</u>	<u>\$ 17,076,861</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>174.42%</u>	<u>167.81%</u>	<u>143.45%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.1122%</u>	<u>0.1125%</u>	<u>0.1068%</u>
District's proportionate share of the net pension liability	<u>\$ 22,165,339</u>	<u>\$ 16,580,009</u>	<u>\$ 12,125,929</u>
District's covered-employee payroll	<u>\$ 13,457,508</u>	<u>\$ 13,894,147</u>	<u>\$ 14,354,658</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>164.71%</u>	<u>119.33%</u>	<u>84.47%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 2,423,719	\$ 1,967,612	\$ 1,584,311
Contributions in relation to the contractually required contribution	<u>2,423,719</u>	<u>1,967,612</u>	<u>1,584,311</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 19,266,447</u>	<u>\$ 18,337,484</u>	<u>\$ 17,841,340</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 1,970,753	\$ 1,594,311	\$ 1,635,480
Contributions in relation to the contractually required contribution	<u>1,970,753</u>	<u>1,594,311</u>	<u>1,635,480</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 14,190,330</u>	<u>\$ 13,457,508</u>	<u>\$ 13,894,147</u>
Contributions as a percentage of covered-employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

See accompanying note to required supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

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

This schedule presents information on the District's changes in the net OPEB asset, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB asset. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, 2015, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset Valuation method	Because plan assets are primarily short-term, no smoothing formula was used
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	6.00 percent
Retirement age	Certificated: 2009 CalSTRS Retirement Rates Classified, hired before January 1, 2013: 2009 CalPERS Retirement Rates for School Employees Classified, hired after December 31, 2012: 2009 CalPERS 2 percent at 60 Retirement Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52
Mortality	Certificated: 2009 CalSTRS Mortality Classified: 2014 CalPERS Mortality for Miscellaneous Employees

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

Schedule of OPEB Investment Returns

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

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

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2017

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	2018
Hilda Zacarías	Vice President	2020
Jeffery Hall	Member	2020
Dan Hilker	Member	2020
Larry Lahr	Member	2018
Yesenia Beas	Student Trustee	June 2018

ADMINISTRATION

Kevin G. Walthers, Ph.D.	Superintendent/President
Michael R. Black	Associate Superintendent/Vice President, Finance and Administration
George Railey Jr., Ed.D.	Associate Superintendent/Vice President, Academic Affairs
Nohemy Ornelas	Associate Superintendent/Vice President, Student Services
Kelly Underwood	Director, Human Resources
Jessica Blazer	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, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 188,325	\$ -
Federal Supplemental Educational Opportunity Grants Administration	84.007		73	-
Federal Work-Study Program	84.033		174,754	-
Federal Pell Grant Program	84.063		9,486,330	-
Federal Pell Grant Program Administration	84.063		30,461	-
Federal Direct Student Loans	84.268		943,033	-
Total Student Financial Assistance Cluster			<u>10,822,976</u>	<u>-</u>
TRIO - Student Support Services Program College Achievement Now				
	84.042A		259,430	-
STEM Select Model Pathway from High School to Allan Hancock College to University Advance, Innovate, Maintain (AIM)				
	84.031C		374,433	-
	84.031S		526,241	-
Child Care Access Means Parents in School Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (Perkins Title I-C)	84.048A	16-C01-001	531,793	-
CTE Transitions	84.048A	16-C01-001	43,748	-
Total U.S. Department of Education			<u>12,674,022</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education				
Child and Adult Care Food Program	10.558	13666	51,450	-
Research and Development Cluster				
NATIONAL SCIENCE FOUNDATION				
Scholarships in Engineering, Science, Mathematics, and Computer Science	47.076		157,910	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through National Institutes of Health				
AHC-CPSU Bridges to the Baccalaureate Partnership Program	93.859	5R25GM086299-08	175,469	31,606
Total Research and Development Cluster			<u>333,379</u>	<u>31,606</u>

[1] Pass-Through Entity Identifying 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, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Community Colleges				
Chancellor's Office				
Temporary Assistance for Needy Families	93.558	[1]	\$ 62,781	\$ -
Passed through California Department of Education				
Child Care and Development Fund (CCDF) Cluster				
General Child Care and Development Programs	93.596	13609	79,299	-
General Child Care and Development Programs	93.575	15136	36,423	-
Total Child Care and Development Fund (CCDF) Cluster			115,722	-
Total U.S. Department of Health and Human Services			178,503	-
Total Expenditures of Federal Awards			\$ 13,237,354	\$ 31,606

[1] Pass-Through Entity Identifying 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, 2017

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Board Financial Assistance Program	\$395,753	\$34,413	\$ -	\$430,166	\$424,005
Calworks	309,448	26,908	-	336,356	336,356
DSS/CalWORKs Assessment Tool	1,648	-	1,648	-	-
CARE	309,427	33,817	-	343,244	343,244
Extended Opportunity Program and Services	720,114	62,619	-	782,733	782,733
CAFYES	368,000	32,000	-	400,000	400,000
Disabled Students Program and Services	518,365	45,074	-	563,439	563,439
CDE Title CCTR Contract	162,021	1,170	-	163,191	103,635
CDE Title CSPP Contract	194,424	-	-	194,424	145,497
CDE Title CSPP Reserve	1,719	-	1,719	-	-
Foster Parent Grant	52,113	46,364	-	98,477	98,477
Foster Kinship Care Education - CSEC	2,550	1,538	-	4,088	4,088
Child Development Training Consortium	7,751	-	38	7,713	7,713
MESA 16-17	30,300	-	6,056	24,244	24,244
MESA 15-16	35,223	-	-	35,223	35,223
DSN AWET SB858 15-16 Augmentation	38,603	60,000	-	98,603	98,603
Economic Development-DSN-AWET 16-17 Grant	80,000	120,000	-	200,000	200,000
DSN AWET 16-17 Augmentation	40,000	-	30,570	9,430	9,430
SBCC 40% CTE AWET Sector Enhancement	16,943	-	-	16,943	16,943
Prop 39 Clean Energy Workforce Program (KCCD)	99,347	-	-	99,347	99,347
Strong Workforce Grant (Local)	762,297	-	557,331	204,966	204,966
Strong Workforce Grant (Regional-SubRec of SBCC)	232,010	-	228,473	3,537	3,537
Regional Strong Workforce DSN AWET	-	100,000	100,000	-	-
Sierra-Innovation Maker3-MakerSpace Sub-Rec Award	20,000	20,000	8,635	31,365	31,365
CTE Career Pathway Enhancement Prtic Agmt (Santa Clarita)	179	-	179	-	-
SCRAEC MOU w/Templeton Unified School District	172	5,032	-	5,204	5,204
Institutional Effectiveness MOU Grant (Santa Clarita CCD)	105,580	-	54,803	50,777	50,777
Econ Dev - Small Business Navigator (MiniGrant) Solano CC	1,524	-	239	1,285	1,285
CTE Data Unlocked (Sub Award - Rancho Santiago CCD)	50,000	-	44,447	5,553	5,553
CCCCO Corrections Contract	822,349	500,000	522,609	799,740	799,740
Regional DSN-Skills USA Mini Award	-	1,000	1,000	-	-
CTEIG CFK - STEMCS Camp (MOU w/SMJUHSD)	-	779	-	779	779
SB County Toddler Accreditation	2	-	2	-	-
SB Cnty QIG First 5 Accreditation	2,739	-	1,389	1,350	1,350
Transfer/Articulation Allocation	100	-	100	-	-
Econ Dev Enrollment Growth for Nursing 16/17	63,020	5,480	-	68,500	68,500
SSSP Credit Coord 16/17	1,823,033	158,518	690,003	1,291,548	1,291,548
SSSP Credit Counseling 15/16	793,999	-	-	793,999	793,999
SSSP Non Credit Counseling 16/17	380,840	33,116	35,861	378,095	378,095
SSSP Non Credit Counseling 15/16 Carryover	301,104	-	-	301,104	301,104

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017, (CONTINUED)**

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Student Equity Coord 16/17	\$ 1,082,418	\$ 94,123	\$ 33,067	\$ 1,143,474	\$ 1,143,474
Student Equity Coord 15/16	810,229	-	-	810,229	810,229
Staff Development (Carryforward)	27	-	27	-	-
Faculty and Staff Development One-Time Funds	3,686	-	3,199	487	487
Staff Diversity	76,461	-	57,392	19,069	19,069
California Articulation Number (CAN)	291	-	203	88	88
Cal Grants - Financial Aid	1,160,717	-	5,427	1,155,290	1,155,290
FTSSG - Financial Aid	371,035	-	60,277	310,758	310,758
AB104 Adult Education	766,657	-	150,063	616,594	616,594
AB104 Adult Education	1,441,171	131,015	1,540,163	32,023	32,023
AEBG Data and Accountability	175,125	-	109,412	65,713	65,713
Cal SOAP Grant	255,776	130,984	-	386,760	386,760
Cal SOAP Middle Class Scholarship	24,558	20,442	-	45,000	45,000
Cal SOAP Field Trip	2,988	-	-	2,988	2,988
CCCCO-Basic Skills	130,314	-	-	130,314	130,314
CCCCO-Basic Skills	134,364	14,356	69,844	78,876	78,876
Santa Clarita DSN Information and Communication	2,128	-	95	2,033	2,033
Santa Barbara QRIS Grant	6,222	-	5,437	785	785
Santa Barbara QRIS Grant	5,036	-	433	4,603	4,603
Santa Barbara QRIS Grant	11,944	-	11,760	184	184
Santa Barbara QRIS Grant	6,086	-	6,086	-	-
Santa Barbara QRIS Grant	9,118	-	8,705	413	413
Santa Barbara QRIS Grant	2,450	-	2,450	-	-
Professional Dev. Manufacturing Day 2016	598	-	-	598	598
TOTAL:	\$15,222,096	\$1,678,748	\$4,349,142	\$12,551,702	\$12,437,058

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT
 FOR THE YEAR ENDED JUNE 30, 2017**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2016 only)			
1. Noncredit**	147.04	-	147.04
2. Credit	931.46	-	931.46
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit**	0.85	-	0.85
2. Credit	597.11	-	597.11
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,095.41	-	5,095.41
(b) Daily Census Contact Hours	114.33	-	114.33
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	671.07	-	671.07
(b) Credit	1,062.43	-	1,062.43
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	981.05	-	981.05
(b) Daily Census Contact Hours	420.82	-	420.82
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>10,021.57</u>	<u>-</u>	<u>10,021.57</u>

**SUPPLEMENTAL INFORMATION
 (Subset of Above Information)**

E. In-Service Training Courses (FTES)	28.34	-	28.34
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	476.72	-	476.72
2. Credit	556.85	-	556.85
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	319.04	-	319.04
Centers FTES			
1. Noncredit**	64.34	-	64.34
2. Credit	1,253.68	-	1,253.68

** 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, 2017**

	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
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 8,864,195	\$ -	\$ 8,864,195	\$ 8,864,194	\$ -	\$ 8,864,194
Other	1300	8,479,919	-	8,479,919	8,474,919	-	8,474,919
Total Instructional Salaries		17,344,114	-	17,344,114	17,339,113	-	17,339,113
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,282,639	-	4,282,639
Other	1400	-	-	-	458,236	-	458,236
Total Noninstructional Salaries		-	-	-	4,740,875	-	4,740,875
Total Academic Salaries		17,344,114	-	17,344,114	22,079,988	-	22,079,988
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	9,280,317	-	9,280,317
Other	2300	-	-	-	923,729	-	923,729
Total Noninstructional Salaries		-	-	-	10,204,046	-	10,204,046
Instructional Aides							
Regular Status	2200	649,964	-	649,964	662,105	-	662,105
Other	2400	387,674	-	387,674	387,535	-	387,535
Total Instructional Aides		1,037,638	-	1,037,638	1,049,640	-	1,049,640
Total Classified Salaries		1,037,638	-	1,037,638	11,253,686	-	11,253,686
Employee Benefits	3000	4,956,628	-	4,956,628	10,354,409	-	10,354,409
Supplies and Material	4000	-	-	-	816,398	-	816,398
Other Operating Expenses	5000	1,222,543	-	1,222,543	5,666,632	-	5,666,632
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		24,560,923	-	24,560,923	50,171,113	-	50,171,113

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, 2017**

	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	\$ 533,560	\$ -	\$ 533,560	\$ 533,560	\$ -	\$ 533,560
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	276,342	-	276,342
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	73,572	-	73,572
Objects to Exclude							
Rents and Leases	5060	-	-	-	439,706	-	439,706
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	-	-	-	53,388	-	53,388
Noninstructional Supplies and Materials	4400	-	-	-	69,506	-	69,506
Total Supplies and Materials		-	-	-	122,894	-	122,894

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, 2017**

	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	\$ -	\$ -	\$ -	\$ 1,027,818	\$ -	\$ 1,027,818
Capital Outlay	6000						
Library Books	6300	-	-	-	70,422	-	70,422
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	52,795	-	52,795
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	52,795	-	52,795
Total Capital Outlay		-	-	-	123,217	-	123,217
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		533,560	-	533,560	2,597,109	-	2,597,109
Total for ECS 84362, 50 Percent Law		\$ 24,027,363	\$ -	\$ 24,027,363	\$ 47,574,004	\$ -	\$ 47,574,004
Percent of CEE (Instructional Salary Cost/Total CEE)		50.51%		50.51%	100.00%		100.00%

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, 2017**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

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, 2017**

Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				\$ 6,929,821
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 6,929,821	\$ -	\$ -	\$ 6,929,821
Total Expenditures for EPA		\$ 6,929,821	\$ -	\$ -	\$ 6,929,821
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, 2017**

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

Total Fund Balance:

General Funds	\$ 23,934,099
Child Development	261,959
PCPA Fund	472,981
Debt Service	7,982,376
Capital Project funds	8,521,828
Internal Service Fund	3,100,385
Fiduciary Funds	10,168,382
Agency Funds - Due to Student Groups	<u>197,095</u>

Total Fund Balance - All District Funds

\$ 54,639,105

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	256,529,589	
Accumulated depreciation is	<u>(51,821,581)</u>	204,708,008

Amounts held in trust on behalf of others (Trust and Agency Funds)

(10,343,877)

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.

4,008,863

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

9,164,117

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.

(1,956,384)

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	4,394,472
Net change in proportionate share of net pension liability	1,748,970
Differences between projected and actual earnings on pension plan investments	5,982,060
Differences between expected and actual experience in the measurement of the total pension liability	<u>953,322</u>

Total Deferred Outflows of Resources Related to Pensions

13,078,824

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, 2017**

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds.

Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pensions liability	\$ (3,205,032)	
Differences between expected and actual experience in the measurement of the total pension liability	(780,214)	
Changes in assumptions	<u>(665,936)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (4,651,182)
Bonds payable	126,654,576	
Premium on bonds	8,464,251	
Compensated absences	1,128,921	
Less compensated absences already recorded in funds	(360,362)	
Capital leases	98,450	
Aggregate net pension obligation	54,149,345	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:	<u>10,831,265</u>	<u>(200,966,446)</u>
Total Net Position		<u><u>\$ 67,681,028</u></u>

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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:		\$ 13,227,969
Federal Pell Grant Administrative Allowance	84.063	15,700
FSEOG Administrative Allowance	84.007	300
Forest Reserve	10.665	(5,055)
Veterans Education	64.116	(1,560)
Total Expenditures of Federal Awards		<u>\$ 13,237,354</u>

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment

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.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Allan Hancock Joint Community College District (the District) as of and for the year ended June 30, 2017, 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 13, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 17 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Vannest, Tume, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Rancho Cucamonga, California
December 13, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

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* issued in March 2017. 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, 2017.

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	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

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

The District did not receive any funding through Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Vaunex Tume, Day & Co. LLP.

Rancho Cucamonga, California
December 13, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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, 2017**

None reported.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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 Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.