



ALLAN HANCOCK JOINT  
COMMUNITY COLLEGE  
DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *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 opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 63 through 66 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 the other supplementary information 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 November 29, 2018, 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  
November 29, 2018

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, 2018. 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 government-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 *Government-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 government-wide financial picture as opposed to individual fund financial statements.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### *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, 2018

### FINANCIAL HIGHLIGHTS

#### Net Position

The District's net position was \$57,142,790 for the fiscal year ended June 30, 2018. Of this amount, \$(43,374,054) 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.

	2018	(as restated) 2017	Change
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 82,901,639	\$ 47,484,692	\$ 35,416,947
Accounts receivable and other assets	4,179,265	9,534,331	(5,355,066)
Total Current Assets	<u>87,080,904</u>	<u>57,019,023</u>	<u>30,061,881</u>
Net Other Postemployment Benefits (OPEB) Asset	1,233,320	-	1,233,320
Capital Assets (Net)	<u>201,463,992</u>	<u>204,708,008</u>	<u>(3,244,016)</u>
Total Assets	<u>289,778,216</u>	<u>261,727,031</u>	<u>28,051,185</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	5,376,437	4,008,863	1,367,574
Deferred outflows of resources related to pensions	18,814,296	13,078,824	5,735,472
Deferred outflows of resources related to OPEB	187,658	-	187,658
Total Deferred Outflow of Resources	<u>24,378,391</u>	<u>17,087,687</u>	<u>7,290,704</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	5,819,826	7,500,910	(1,681,084)
Unearned revenue	7,833,984	6,818,907	1,015,077
Current portion of long-term obligations other than pensions	<u>1,896,040</u>	<u>1,863,078</u>	<u>32,962</u>
Total Current Liabilities	<u>15,549,850</u>	<u>16,182,895</u>	<u>(633,045)</u>
Long-Term Obligations	<u>235,738,835</u>	<u>199,664,777</u>	<u>36,074,058</u>
Total Liabilities	<u>251,288,685</u>	<u>215,847,672</u>	<u>35,441,013</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	<u>5,725,132</u>	<u>4,651,182</u>	<u>1,073,950</u>
<b>NET POSITION</b>			
Net investment in capital assets	44,029,645	74,997,225	(30,967,580)
Restricted	56,487,199	27,204,502	29,282,697
Unrestricted	<u>(43,374,054)</u>	<u>(43,885,863)</u>	<u>511,809</u>
Total Net Position	<u>\$ 57,142,790</u>	<u>\$ 58,315,864</u>	<u>\$ (1,173,074)</u>

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

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, 2018

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.

	2018	2017	Change
Operating Revenues			
Student tuition and fees	\$ 4,416,527	\$ 4,524,354	\$ (107,827)
Federal grants and contracts, noncapital	2,312,539	2,626,281	(313,742)
State grants and contracts, noncapital	14,571,268	13,757,479	813,789
Local grants and contracts, noncapital	488,378	184,696	303,682
Total Operating Revenues	<u>21,788,712</u>	<u>21,092,810</u>	<u>695,902</u>
Operating Expenses			
Salaries and benefits	62,991,628	59,032,188	3,959,440
Supplies, materials, and other operating expenses	19,738,917	17,858,832	1,880,085
Student financial aid	13,487,905	12,414,706	1,073,199
Depreciation	6,338,226	5,830,112	508,114
Total Operating Expenses	<u>102,556,676</u>	<u>95,135,838</u>	<u>7,420,838</u>
Loss on Operations	<u>(80,767,964)</u>	<u>(74,043,028)</u>	<u>(6,724,936)</u>
Nonoperating Revenues			
State apportionments	38,167,922	35,695,935	2,471,987
Property taxes	25,093,962	23,188,797	1,905,165
Federal and State financial aid grants	13,075,817	12,067,736	1,008,081
State revenues	3,422,612	3,024,957	397,655
Net interest expense	(5,863,278)	(6,184,037)	320,759
Other nonoperating revenues, net	3,443,222	4,466,986	(1,023,764)
Total Nonoperating Revenues	<u>77,340,257</u>	<u>72,260,374</u>	<u>5,079,883</u>
Other Revenues and Losses			
State, local capital income and losses, net	<u>2,254,633</u>	<u>1,347,367</u>	<u>907,266</u>
Net Change in Net Position	<u>\$ (1,173,074)</u>	<u>\$ (435,287)</u>	<u>\$ (737,787)</u>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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The operating revenues for the District are specifically defined as revenues from users of the College's facilities and programs. Excluded from operating revenues are the components of the primary source of District funding; the State apportionment process which includes the State general apportionment and local property taxes. As these resources of revenues are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be nonoperating. As a result, the operating loss of \$80,767,964 is balanced by other funding sources. Total District expenses exceeded total revenues by \$1,173,074 for the year ended June 30, 2018.

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.

	2018	2017	Change
Cash Provided by (Used in)			
Operating activities	\$ (71,070,602)	\$ (86,559,922)	\$ 15,489,320
Noncapital financing activities	82,152,214	84,707,533	(2,555,319)
Capital financing activities	23,904,351	(646,581)	24,550,932
Investing activities	430,984	354,791	76,193
Net Increase (Decrease) in Cash	35,416,947	(2,144,179)	37,561,126
Cash, Beginning of Year	47,484,692	49,628,871	(2,144,179)
Cash, End of Year	<u>\$ 82,901,639</u>	<u>\$ 47,484,692</u>	<u>\$ 35,416,947</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, 2018

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### **Capital Assets**

At June 30, 2018, the District had \$201,463,992 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.

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	<u>2018</u>	<u>2017</u>
Land and construction in progress	\$ 10,040,199	\$ 53,961,055
Buildings and improvements	224,392,072	178,175,286
Furniture and equipment	<u>25,050,994</u>	<u>24,393,248</u>
Total Capital Assets	259,483,265	256,529,589
Less accumulated depreciation	<u>(58,019,273)</u>	<u>(51,821,581)</u>
Capital Assets, Net	<u>\$ 201,463,992</u>	<u>\$ 204,708,008</u>

#### **Long-Term Obligations**

At the end of this year, the District had \$237,634,875 in outstanding long-term obligations. This is primarily made up of \$174,838,497 of general obligation bonds.

Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below.

	<u>2018</u>	<u>(as restated) 2017</u>
General obligation bonds	\$ 174,838,497	\$ 145,950,092
Capital leases	191,185	98,450
Compensated absences	1,072,031	1,128,921
Net OPEB liability	-	201,047
Aggregate net pension obligation	<u>61,533,162</u>	<u>54,149,345</u>
Total Long-Term Obligations	<u>\$ 237,634,875</u>	<u>\$ 201,527,855</u>

# **ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

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

**JUNE 30, 2018**

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### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 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 satisfied the liability for postemployment retiree benefit liability fund (OPEB), bringing the net liability to \$0.00.

### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES 2018-2019***

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 2018-2019 is expected to remain flat. The District will benefit from increased revenue in fiscal year 2018-2019 due to the new student centered funding formula of approximately \$2,657,204 and COLA of 2.71 percent or approximately \$1,576,835. All fund budgets will presented represent information available to the District at the time of budget adoption. Revisions will occur as the year progresses, primarily due to final program funding approvals, budget transfers, and reallocation of restricted reserves.

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, 2018**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 1,192,393
Investments	81,709,246
Accounts receivable	3,130,548
Student receivable	789,349
Due from fiduciary funds	2,013
Prepaid expenses	257,355

**Total Current Assets** 87,080,904

**Noncurrent Assets**

Net other postemployment benefits (OPEB) asset	1,233,320
Nondepreciable capital assets	10,040,199
Depreciable capital assets, net of depreciation	191,423,793

**Total Noncurrent Assets** 202,697,312

**TOTAL ASSETS** 289,778,216

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refunding	5,376,437
Deferred outflows of resources related to pensions	18,814,296
Deferred outflows of resources related to OPEB	187,658

**Total Deferred Outflows of Resources** 24,378,391

**LIABILITIES**

**Current Liabilities**

Accounts payable	3,357,653
Accrued interest payable	2,460,238
Due to fiduciary funds	1,935
Unearned revenue	7,833,984
Current portion of long-term obligations other than pensions	1,896,040

**Total Current Liabilities** 15,549,850

**Noncurrent Liabilities**

Noncurrent portion of long-term obligations other than pensions	174,205,673
Aggregate net pension obligation	61,533,162

**Total Noncurrent Liabilities** 235,738,835

**TOTAL LIABILITIES** 251,288,685

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	5,725,132
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**NET POSITION**

Net investment in capital assets	44,029,645
Restricted for:	
Debt service	33,564,005
Capital projects	8,971,891
Educational programs	13,230,045
Other activities	721,258
Unrestricted	(43,374,054)

**TOTAL NET POSITION** \$ 57,142,790

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, 2018**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 10,825,109
Less: Scholarship discount and allowance	(6,408,582)
Net tuition and fees	<u>4,416,527</u>
Grants and Contracts, Noncapital	
Federal	2,312,539
State	14,571,268
Local	488,378
Total grants and contracts, noncapital	<u>17,372,185</u>
<b>TOTAL OPERATING REVENUES</b>	<u><u>21,788,712</u></u>
<b>OPERATING EXPENSES</b>	
Salaries	48,043,171
Employee benefits	14,948,457
Supplies, materials, and other operating expenses and services	19,738,917
Student financial aid	13,487,905
Depreciation	6,338,226
<b>TOTAL OPERATING EXPENSES</b>	<u>102,556,676</u>
<b>OPERATING LOSS</b>	<u>(80,767,964)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	38,167,922
Local property taxes, levied for general purposes	18,536,094
Taxes levied for other specific purposes	6,557,868
Federal financial aid grants, noncapital	11,044,236
State financial aid grants, noncapital	2,031,581
State taxes and other revenues	3,422,612
Investment income	615,243
Interest expense on capital related debt	(6,742,825)
Investment income on capital asset-related debt	264,304
Transfer to fiduciary funds	(173,213)
Other nonoperating revenue	3,616,435
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>77,340,257</u>
<b>LOSS BEFORE OTHER REVENUES AND (LOSSES)</b>	<u>(3,427,707)</u>
<b>OTHER REVENUES AND (LOSSES)</b>	
State revenues, capital	1,597,169
Local revenues, capital	695,879
Loss on disposal of capital assets	(38,415)
<b>TOTAL OTHER REVENUES AND (LOSSES)</b>	<u>2,254,633</u>
<b>CHANGE IN NET POSITION</b>	(1,173,074)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>58,315,864</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 57,142,790</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, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 4,755,591
Federal and State grants and contracts	19,663,385
Payments to vendors for supplies and services	(20,184,761)
Payments to or on behalf of employees	(61,816,912)
Payments to students for scholarships and grants	(13,487,905)
<b>Net Cash Flows From Operating Activities</b>	<u>(71,070,602)</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	44,724,761
Federal and State financial aid grants	12,608,840
Property taxes - nondebt related	18,536,094
State taxes and other apportionments	3,938,308
Other nonoperating	2,344,211
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>82,152,214</u>

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(6,585,464)
Proceeds from capital debt	43,956,713
State revenue, capital projects	1,597,169
Local revenue, capital projects	695,879
Property taxes - related to capital debt	6,557,868
Principal paid on capital debt	(14,975,573)
Interest paid on capital debt	(7,606,545)
Interest received on capital asset-related debt	264,304
<b>Net Cash Flows From Capital Financing Activities</b>	<u>23,904,351</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(26,480,208)
Interest received from investments	430,984
<b>Net Cash Flows From Investing Activities</b>	<u>(26,049,224)</u>

### NET CHANGE IN CASH AND CASH EQUIVALENTS

8,936,739

### CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

47,484,692

### CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 56,421,431

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, 2018

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

Operating Loss	<u>\$ (80,767,964)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	6,338,226
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	1,615,187
Prepaid expenses	(4,238)
Accounts payable and accrued liabilities	(310,270)
Unearned revenue	1,015,077
Net other postemployment benefits (OPEB) asset	(1,233,320)
Deferred outflows of resources related to pensions	(5,735,472)
Deferred outflows of resources related to OPEB	(187,658)
Deferred inflows of resources related to pensions	1,073,950
Net other postemployment benefits (OPEB) liability	(201,047)
Aggregate net pension obligation	7,383,817
Compensated absences	<u>(56,890)</u>
<b>Total Adjustments</b>	<u>9,697,362</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (71,070,602)</u>

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

Cash in banks	\$ 1,192,393
Cash in County Treasury	<u>55,229,038</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 56,421,431</u>

### NONCASH TRANSACTIONS

On behalf payments for benefits	<u>\$ 1,314,852</u>
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The accompanying notes are an integral part of these financial statements.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Retiree OPEB Trust</b>	<b>Other Trusts</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 1,053,782	\$ 130,028
Investments	9,114,689	166,250	-
Accounts receivable	-	705	142
Student receivable	-	55,820	-
Due from primary government	-	1,935	-
Prepaid expenses	-	500	199
Inventories	-	-	67,021
Other current assets	-	-	16,583
<b>Total Assets</b>	<u>9,114,689</u>	<u>1,278,992</u>	<u>\$ 213,973</u>
<b>LIABILITIES</b>			
Accounts payable	-	1,775	\$ 5,306
Due to primary government	-	2,012	1
Unearned revenue	-	23,257	-
Due to student groups	-	-	208,666
<b>Total Liabilities</b>	<u>-</u>	<u>27,044</u>	<u>\$ 213,973</u>
<b>NET POSITION</b>			
Restricted for postemployment benefits other than pensions	9,114,689	-	
Unrestricted	-	1,251,948	
<b>Total Net Position</b>	<u>\$ 9,114,689</u>	<u>\$ 1,251,948</u>	

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

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Retiree OPEB Trust</b>	<b>Other Trusts</b>
<b>ADDITIONS</b>		
District Contributions	\$ 153,168	\$ -
Interest and investment income	346,532	-
Net realized and unrealized gain	169,688	-
Local revenues	-	305,350
<b>TOTAL ADDITIONS</b>	<b>669,388</b>	<b>305,350</b>
<b>DEDUCTIONS</b>		
Classified salaries	-	3,102
Employee benefits	470,000	-
Books and supplies	-	70,575
Administrative expenses	82,902	-
Services and operating expenditures	-	277,801
Capital outlay	-	1,614
<b>TOTAL DEDUCTIONS</b>	<b>552,902</b>	<b>353,092</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer from primary government	-	173,213
Other uses	-	(22,102)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>151,111</b>
<b>CHANGE IN NET POSITION</b>	<b>116,486</b>	<b>103,369</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>8,998,203</b>	<b>1,148,579</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 9,114,689</b>	<b>\$ 1,251,948</b>

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

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### *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.

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, 2018**

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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, 2018, is as follows:

#### *Condensed Combining Statement of Net Position*

	PCPA	Associated Students Trust Fund	Total
<b>ASSETS</b>			
Current assets	\$ 921,782	\$ 64,646	\$ 986,428
<b>LIABILITIES</b>			
Current liabilities	511,503	400	511,903
<b>NET POSITION</b>			
Restricted	410,279	64,246	474,525
<b>Total Net Position</b>	<u>\$ 410,279</u>	<u>\$ 64,246</u>	<u>\$ 474,525</u>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

	PCPA	Associated Students Trust Fund	Total
<b>OPERATING REVENUES</b>			
Auxiliary enterprise sales and charges	\$ 2,315,704	\$ -	\$ 2,315,704
Local revenues	-	35,507	35,507
<b>Total Operating Revenues</b>	<u>2,315,704</u>	<u>35,507</u>	<u>2,351,211</u>
<b>OPERATING EXPENDITURES</b>			
Operating expenses	<u>2,378,406</u>	<u>41,641</u>	<u>2,420,047</u>
<b>CHANGE IN NET POSITION</b>	(62,702)	(6,134)	(68,836)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>472,981</u>	<u>70,380</u>	<u>543,361</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 410,279</u>	<u>\$ 64,246</u>	<u>\$ 474,525</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, 2018

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### *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 government-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, noncapital grants and contracts, 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, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants 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, 2018**

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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, No. 39, and No. 61. 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, 2018, 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, 2018

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### 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 government-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 Charges on Refunding

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the new or old debt, whichever is shorter.

### 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, for pension related items, and for OPEB 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, 2018

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### **Pensions**

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

### **Postemployment Benefits Other Than Pensions (OPEB)**

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

### **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 government-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.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Noncurrent Liabilities

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

### Net Position

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

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

**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 government-wide financial statements report \$56,487,199 of restricted net position.

### Operating Revenues and Expenses

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

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

**Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

### State Apportionments

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

### Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of 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.

### 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, Supplemental Educational Opportunity 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*.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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;

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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- 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; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### New Accounting Pronouncements

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.

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

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

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

### 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, 2018, consist of the following:

Primary government	\$ 82,901,639
Fiduciary funds	10,464,749
Total Deposits and Investments	<u>\$ 93,366,388</u>
Cash on hand and in banks	\$ 2,320,753
Cash in revolving	55,450
Investments	90,990,185
Total Deposits and Investments	<u>\$ 93,366,388</u>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by 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	\$ 55,395,288	\$ 55,015,516	448
Mutual Funds	9,114,689	9,114,689	N/A
U.S. Treasury Bonds	26,480,208	26,480,208	391
Total	<u>\$ 90,990,185</u>	<u>\$ 90,610,413</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, the Mutual Funds, and the U.S. Treasury Bonds are not required to be rated, nor have been rated as of June 30, 2018.

### 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, 2018, the District's bank balance of \$3,459,661 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, 2018

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### 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, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Uncategorized</u>
Santa Barbara County Investment Pool	\$ 55,015,516	\$ -	\$ 55,015,516
Mutual Funds	9,114,689	9,114,689	-
U.S. Treasury Bonds	26,480,208	26,480,208	
Total	<u>\$ 90,610,413</u>	<u>\$ 35,594,897</u>	<u>\$ 55,015,516</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, 2018**

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***NOTE 5 - ACCOUNTS RECEIVABLE***

Accounts receivable at June 30, 2018, 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	\$ 322,274	\$ -
State Government		
Categorical aid	554,952	-
Other State sources	324,840	
Local Sources		
District Foundation	258,963	-
Interest	184,259	585
Other local sources	1,485,260	262
Total	<u>\$ 3,130,548</u>	<u>\$ 847</u>
Student receivables	<u>\$ 789,349</u>	<u>\$ 55,820</u>

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 3,758,448	\$ -	\$ -	\$ 3,758,448
Construction in progress	50,202,607	2,296,298	46,217,154	6,281,751
Total Capital Assets Not Being Depreciated	<u>53,961,055</u>	<u>2,296,298</u>	<u>46,217,154</u>	<u>10,040,199</u>
Capital Assets Being Depreciated				
Land improvements	5,827,428	727,708	-	6,555,136
Buildings and improvements	172,347,858	45,489,078	-	217,836,936
Furniture and equipment	24,393,248	836,695	178,949	25,050,994
Total Capital Assets Being Depreciated	<u>202,568,534</u>	<u>47,053,481</u>	<u>178,949</u>	<u>249,443,066</u>
Total Capital Assets	<u>256,529,589</u>	<u>49,349,779</u>	<u>46,396,103</u>	<u>259,483,265</u>
Less Accumulated Depreciation				
Land improvements	3,619,572	212,436	-	3,832,008
Buildings and improvements	35,803,160	4,119,682	-	39,922,842
Furniture and equipment	12,398,849	2,006,108	140,534	14,264,423
Total Accumulated Depreciation	<u>51,821,581</u>	<u>6,338,226</u>	<u>140,534</u>	<u>58,019,273</u>
Net Capital Assets	<u>\$ 204,708,008</u>	<u>\$ 43,011,553</u>	<u>\$ 46,255,569</u>	<u>\$ 201,463,992</u>

Depreciation expense for the year was \$6,338,226.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Accrued payroll	\$ 872,494	\$ -
Apportionment	1,576,236	-
Construction	29,416	-
State categorical payable	66,906	-
Student liabilities	8,346	-
Other	804,255	7,081
Total	<u>\$ 3,357,653</u>	<u>\$ 7,081</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal financial assistance	\$ 17,497	\$ -
State categorical aid	5,110,193	-
Enrollment fees	2,106,439	23,257
Other local	599,855	-
Total	<u>\$ 7,833,984</u>	<u>\$ 23,257</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, 2018, the amounts owed between the primary government and the fiduciary funds were \$2,013 and \$1,935, respectively.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### 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 2018 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$173,213. 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 2018 fiscal year consisted of the following:

	(as restated)			Balance	Due in
	Balance	Additions	Deductions	June 30, 2018	One Year
	July 1, 2017				
<b>Bonds Payable</b>					
General obligation bonds, 2006 Series A	\$ 4,475,000	\$ -	\$ 4,475,000	\$ -	\$ -
General obligation bonds, 2009 Series B and B-1	26,510,000	-	885,000	25,625,000	-
General obligation bonds, 2012 Series C	47,757,841	2,258,572	7,504,661	42,511,752	-
General obligation bonds, 2013 Series D	7,183,000	232,486	50,000	7,365,486	55,000
General obligation bonds, 2014 Refunding Bonds	51,560,000	-	1,195,000	50,365,000	1,445,000
General obligation bonds, 2017 Refunding Bonds, Series A	-	13,515,000	-	13,515,000	-
General obligation bonds, 2017 Refunding Bonds, Series B	-	24,275,000	-	24,275,000	-
Unamortized bond premium	8,464,251	3,551,952	834,944	11,181,259	-
<b>Total Bonds Payable</b>	<b>145,950,092</b>	<b>43,833,010</b>	<b>14,944,605</b>	<b>174,838,497</b>	<b>1,500,000</b>
<b>Other Liabilities</b>					
Capital leases	98,450	123,703	30,968	191,185	46,144
Compensated absences	1,128,921	-	56,890	1,072,031	349,896
Net OPEB liability	201,047	892,244	1,093,291	-	-
Aggregate net pension obligation	54,149,345	7,383,817	-	61,533,162	-
<b>Total Other Liabilities</b>	<b>55,577,763</b>	<b>8,399,764</b>	<b>1,181,149</b>	<b>62,796,378</b>	<b>396,040</b>
<b>Total Long-Term Obligations</b>	<b>\$ 201,527,855</b>	<b>\$ 52,232,774</b>	<b>\$ 16,125,754</b>	<b>\$ 237,634,875</b>	<b>\$ 1,896,040</b>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### **Description of Debt**

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences will be paid by the fund for which the employee worked. The capital leases will be paid by the General Fund. Payments related to OPEB obligations will be paid by the fund for which the employee worked. Payments related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 12 for further details of the aggregate net pension obligation.

### **Bonded Debt**

#### **Bonds Payable**

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. The proceeds from the 2017 General Obligation Refunding Bonds, Series A were used to pay off the outstanding Election of 2006 Series A General Obligation Bonds during the year ended June 30, 2018.

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, 2018, the principal balance outstanding for Series B-1 was \$25,625,000.

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, 2018, the principal balance outstanding was \$42,511,752. Unamortized premium received on issuance of the bonds amounted to \$175,426 as of June 30, 2018.

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, 2018, the principal balance outstanding was \$7,365,486. Unamortized premium received on issuance of the bonds amounted to \$60,235 as of June 30, 2018.

In October 2014, the District issued the \$52,260,000 2014 General Obligation Refunding Bonds. The bonds have a final maturity which occurs 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 and 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. 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, 2018, the principal balance outstanding was \$50,365,000. Unamortized premium received on issuance of the bonds and deferred amount on refunding were \$7,591,444 and \$3,724,210, respectively, as of June 30, 2018.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

In November 2017, the District issued the 2017 General Obligation Refunding Bonds, Series A in the amount of \$13,515,000. The bonds have a final maturity which occurs on August 1, 2038, with interest rates from 3.00 to 4.25 percent. The refunding bonds were issued as current interest bonds. The net proceeds of \$14,509,302 (representing the principal amount of \$13,515,000 and premium on issuance of \$994,302) from the issuance were used to currently refund the District's outstanding Election of 2006 General Obligation Bonds, Series A, to advance refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series B, and to advance refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series C in the amount of \$4,365,000, \$760,000, and \$7,504,661, respectively. The refunding resulted in a cumulative cash flow saving of \$5,827,061 over the life of the new debt and an economic gain of \$3,123,064 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.00 percent. As of June 30, 2018, the principal balance outstanding was \$13,515,000, and unamortized premium on issuance and deferred amount on refunding were \$946,954 and \$1,652,227, respectively.

In October 2017, the District issued the 2017 General Obligation Refunding Bonds, Series B in the amount of \$24,275,000. The bonds have a final maturity which occurs on August 1, 2034, with interest rates from 3.00 to 4.00 percent. The refunding bonds were issued as current interest bonds. The net proceeds of \$26,832,650 (representing the principal amount of \$24,275,000 and premium on issuance of \$2,557,650) from the issuance were used to provide advance refunding on the crossover date of August 1, 2019, of the District's outstanding Election of 2006 General Obligation Bonds, Series B-1 in the amount of \$25,625,000. As of June 30, 2018, the principal balance outstanding was \$24,275,000, and unamortized premium on issuance was \$2,407,200.

### Debt Maturity

#### General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2018
2006	08/01/17	4.00%-5.00%	\$ 68,000,000	\$ 4,475,000	\$ -	\$ -	\$ 4,475,000	\$ -
2009	08/01/34	4.00%-5.00%	29,999,556	26,510,000	-	-	885,000	25,625,000
2012	08/01/47	2.00%-5.70%	38,996,200	47,757,841	-	2,258,572	7,504,661	42,511,752
2013	08/01/39	2.00%-4.75%	8,773,376	7,183,000	-	232,486	50,000	7,365,486
2014	08/01/30	2.00%-5.00%	52,260,000	51,560,000	-	-	1,195,000	50,365,000
2017	08/01/38	3.00%-4.25%	13,515,000	-	13,515,000	-	-	13,515,000
2017	08/01/34	3.00%-4.00%	24,275,000	-	24,275,000	-	-	24,275,000
				<u>\$ 137,485,841</u>	<u>\$ 37,790,000</u>	<u>\$ 2,491,058</u>	<u>\$ 14,109,661</u>	<u>\$ 163,657,238</u>

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

The Series B bonds mature through 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2019	\$ -	\$ 1,838,785	\$ 1,838,785
2020	-	1,838,785	1,838,785
2021	-	1,838,784	1,838,784
2022	-	1,838,784	1,838,784
2023	-	1,838,784	1,838,784
2024-2028	825,000	9,045,425	9,870,425
2029-2033	15,205,000	7,789,863	22,994,863
2034-2035	9,595,000	400,824	9,995,824
Total	<u>\$ 25,625,000</u>	<u>\$ 26,430,034</u>	<u>\$ 52,055,034</u>

The Series C bonds mature through 2048 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2029-2033	\$ -	\$ -	\$ 3,283,200	\$ 3,283,200
2034-2038	1,593,663	2,441,337	22,107,415	26,142,415
2039-2043	14,511,497	16,563,503	21,961,741	53,036,741
2044-2048	26,406,592	35,528,408	9,341,995	71,276,995
Total	<u>\$ 42,511,752</u>	<u>\$ 54,533,248</u>	<u>\$ 56,694,351</u>	<u>\$ 153,739,351</u>

The Series D bonds mature through 2040 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
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	65,000	-	133,238	198,238
2024-2028	290,000	-	637,757	927,757
2029-2033	349,488	295,512	596,265	1,241,265
2034-2038	3,259,464	5,685,536	592,560	9,537,560
2039-2040	3,166,534	1,723,466	177,768	5,067,768
Total	<u>\$ 7,365,486</u>	<u>\$ 7,704,514</u>	<u>\$ 2,689,213</u>	<u>\$ 17,759,213</u>

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

The 2014 Refunding bonds mature through 2031 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	2,750,000	2,034,562	4,784,562
2024-2028	20,655,000	7,498,935	28,153,935
2029-2031	19,385,000	1,448,093	20,833,093
Total	\$ 50,365,000	\$ 20,145,492	\$ 70,510,492

The 2017 Refunding bonds, Series A, mature through 2039 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ -	\$ 524,925	\$ 524,925
2020	-	524,925	524,925
2021	-	524,925	524,925
2022	-	524,925	524,925
2023	-	524,925	524,925
2024-2028	-	2,624,625	2,624,625
2029-2033	-	2,624,625	2,624,625
2034-2038	9,325,000	2,170,700	11,495,700
2039	4,190,000	89,037	4,279,037
Total	\$ 13,515,000	\$ 10,133,612	\$ 23,648,612

The 2017 Refunding bonds, Series B, mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ -	\$ 968,450	\$ 968,450
2020	-	968,450	968,450
2021	-	968,450	968,450
2022	-	968,450	968,450
2023	-	968,450	968,450
2024-2028	1,470,000	4,695,450	6,165,450
2029-2033	14,190,000	4,004,450	18,194,450
2034-2035	8,615,000	178,675	8,793,675
Total	\$ 24,275,000	\$ 13,720,825	\$ 37,995,825

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 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, 2017	\$ 109,543
Additions	146,744
Payments	<u>37,717</u>
Balance, June 30, 2018	<u>\$ 218,570</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	\$ 57,111
2020	56,304
2021	51,550
2022	35,827
2023	<u>17,778</u>
Total	218,570
Less: Amount Representing Interest	<u>27,385</u>
Present Value of Minimum Lease Payments	<u>\$ 191,185</u>

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

Vehicles	\$ 281,506
Less: Accumulated depreciation	<u>37,521</u>
Total	<u>\$ 243,985</u>

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

### Compensated Absences

At June 30, 2018, the liability for compensated absences was \$1,072,031.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Net Other Postemployment Benefits (OPEB) Liability/(Asset)

For the fiscal year ended June 30, 2018, the District reported net OPEB asset, deferred outflows of resources, and OPEB expense of \$1,233,320, \$187,658, and \$(1,434,367), respectively.

### District Plan

#### *Plan Administration*

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Benefits Trust Company.

#### *Plan Membership*

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

Inactive employees or beneficiaries currently receiving benefit payments	86
Active members	278
	<u>364</u>

### **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.

#### *Benefits Provided*

The Plan 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.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *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 the 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 trust. Plan members are not required to contribute to the Plan.

### **Investment**

#### *Investment Policy*

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for 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 allocation over short time spans. The following was the governing 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%

#### *Rate of Return*

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.71 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### **Net OPEB Liability/(Asset) of the District**

The District's net OPEB asset of \$(1,233,320) was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The components of the net OPEB asset of the District at June 30, 2017, were as follows:

Total OPEB liability	\$ 7,764,883
Plan fiduciary net position	8,998,203
District's net OPEB asset	<u>\$ (1,233,320)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>116%</u>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following 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	5.80 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the assumed long-term expected rate of return on Plan assets.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study as of June 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, (see the discussion of the Plan's investment policy) 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%

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

*Discount Rate*

The discount rate used to measure the total OPEB liability was 5.8 percent. The projection of cash flows used to determine the discount rate assumed that the 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 OPEB payments for current active and inactive employees. 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.

**Changes in the Net OPEB Liability/(Asset)**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2016	\$ 7,432,997	\$ 7,231,950	\$ 201,047
Service cost	389,747	-	389,747
Interest	428,206	-	428,206
Contributions - employer	-	1,525,633	(1,525,633)
Net investment income	-	800,978	(800,978)
Benefit payments	(486,067)	(486,067)	-
Administrative expense	-	(74,291)	74,291
Net change in total OPEB liability	<u>331,886</u>	<u>1,766,253</u>	<u>(1,434,367)</u>
Balance at June 30, 2017	<u>\$ 7,764,883</u>	<u>\$ 8,998,203</u>	<u>\$ (1,233,320)</u>

There were no changes in benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 6.0 percent to 5.8 percent since the previous valuation.

*Sensitivity of the Net OPEB Asset to Changes in the Discount Rate*

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

Discount Rate	Net OPEB (Asset)
1% decrease (4.8%)	\$ (541,852)
Current discount rate (5.8%)	(1,233,320)
1% increase (6.8%)	(1,837,147)

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB (Asset)</u>
1% decrease (3.0%)	\$ (1,834,753)
Current healthcare cost trend rate (4.0%)	(1,233,320)
1% increase (5.0%)	(569,407)

### **Deferred Outflows of Resources Related to OPEB**

At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$187,658.

### **Aggregate Net Pension Obligation**

At June 30, 2018, the liability for the aggregate net pension obligation amounted to \$61,533,162. See Note 12 for additional information.

### **NOTE 11 - 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, 2018, 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, 2018, 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, 2018

### Workers' Compensation

For fiscal year 2017-2018, the District participated in the Santa Barbara County Schools Self-Insurance Program for Employees (SIPE) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$10,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, 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	\$ 34,975,009	\$ 10,508,799	\$ 5,273,855	\$ 2,985,279
CalPERS	26,558,153	8,305,497	451,277	4,931,293
Total	<u>\$ 61,533,162</u>	<u>\$ 18,814,296</u>	<u>\$ 5,725,132</u>	<u>\$ 7,916,572</u>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 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, 2018**

The STRP provisions and benefits in effect at June 30, 2018, 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	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

**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, 2018, are presented above, and the District's total contributions were \$2,837,760.

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

At June 30, 2018, 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	\$ 34,975,009
State's proportionate share of net pension liability associated with the District	20,690,920
Total	<u>\$ 55,665,929</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0378 percent and 0.0395 percent, respectively, resulting in a net decrease in the proportionate share of 0.0017 percent.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

For the year ended June 30, 2018, the District recognized pension expense of \$2,985,279. In addition, the District recognized pension expense and revenue of \$2,082,740 for support provided by the State. At June 30, 2018, 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	\$ 2,837,760	\$ -
Net change in proportionate share of net pension liability	1,062,169	3,732,353
Differences between projected and actual earnings on the pension plan investments	-	931,482
Differences between expected and actual experience in the measurement of the total pension liability	129,341	610,020
Changes of assumptions	6,479,529	-
Total	<u>\$ 10,508,799</u>	<u>\$ 5,273,855</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/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (774,375)
2020	585,974
2021	84,494
2022	(827,575)
Total	<u>\$ (931,482)</u>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 522,039
2020	522,039
2021	522,039
2022	522,042
2023	327,413
Thereafter	913,094
Total	<u>\$ 3,328,666</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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 7.10 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 (7.10 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 (6.10%)	\$ 51,354,416
Current discount rate (7.10%)	34,975,009
1% increase (8.10%)	21,682,009

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### California Public Employees' Retirement System (CalPERS)

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, 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%	6.50%
Required employer contribution rate	15.531%	15.531%

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the total District contributions were \$2,356,517.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$26,558,153. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.1112 percent and 0.1122 percent, respectively, resulting in a net decrease in the proportionate share of 0.0010 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$4,931,293. At June 30, 2018, 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	\$ 2,356,517	\$ -
Net change in proportionate share of net pension liability	199,544	138,588
Differences between projected and actual earnings on the pension plan investments	918,731	-
Differences between expected and actual experience in the measurement of the total pension liability	951,469	-
Changes of assumptions	3,879,236	312,689
Total	<u>\$ 8,305,497</u>	<u>\$ 451,277</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, 2018

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (24,895)
2020	1,060,015
2021	386,706
2022	(503,095)
Total	<u>\$ 918,731</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,731,314
2020	1,543,189
2021	1,304,469
Total	<u>\$ 4,578,972</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	\$ 39,075,554
Current discount rate (7.15%)	26,558,153
1% increase (8.15%)	16,173,921

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to \$1,314,852, (9.328 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, 2018. 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 operating revenue and employee benefit expense.

### **Deferred Compensation**

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

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

The District is a member of the BACCD JPA, SWACC, SISC III, and Santa Barbara County Schools SIPE. The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

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

The District has appointed one Board member and one alternative to the Governing Board of BACCD and Santa Barbara County SIPE.

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

During the year ended June 30, 2018, the District made payments of \$261,652, \$6,108,991, and \$823,927 to BACCD, SISC III, and SIPE, respectively.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 14 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

#### 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, 2018.

#### 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
2019	\$ 110,498
2020	53,461
Total	<u>\$ 163,959</u>

Total lease expense of \$125,897 was included in other operating expenses and services for the year ended June 30, 2018.

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
2019	\$ 284,982
2020	290,568
2021	302,196
2022	302,196
2023	302,196
2024-2026	948,882
Total	<u>\$ 2,431,020</u>

Total lease expense of \$279,396 was included in other operating expenses and services for the year ended June 30, 2018.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Construction Commitments**

As of June 30, 2018, 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>
Fine Arts Complex	\$ 2,174,325	2021-2022
Proposition 39 LVC Solar Project	798,107	2018-2019
	<u>\$ 2,972,432</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, 2018**

**NOTE 15 - FUNCTIONAL EXPENSES CLASSIFICATION**

The District's operating expenses by functional classification for the fiscal year ended June 30, 2018, are:

	Salaries	Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instruction	\$ 22,444,583	\$ 6,281,233	\$ 3,621,513	\$ -	\$ 32,347,329
Instructional Administration	2,798,028	914,408	689,221	-	4,401,657
Instructional Support Services	1,147,770	333,470	150,576	-	1,631,816
Admissions and Records	595,183	259,211	72,472	-	926,866
Counseling and Guidance	3,696,672	994,888	820,564	-	5,512,124
Other Student Services	3,600,127	920,218	700,662	-	5,221,007
Operations and Maintenance	2,393,977	912,244	1,973,500	-	5,279,721
Planning and Policy Making	912,670	345,233	241,195	-	1,499,098
General Institutional Services	5,404,872	2,488,068	2,155,416	-	10,048,356
Community Services	605,511	230,275	1,545,727	-	2,381,513
Ancillary Services	2,333,381	651,461	1,202,433	-	4,187,275
Auxiliary Operations	2,087,718	610,908	745,670	-	3,444,296
Physical Property and Related Acquisitions	22,679	6,840	4,857,262	-	4,886,781
Transfers and Student Payments	-	-	14,450,611	-	14,450,611
Depreciation	-	-	-	6,338,226	6,338,226
<b>Total</b>	<b>\$ 48,043,171</b>	<b>\$ 14,948,457</b>	<b>\$ 33,226,822</b>	<b>\$ 6,338,226</b>	<b>\$ 102,556,676</b>

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

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 67,681,028
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(9,365,164)</u>
Net Position - Beginning, as restated	<u>\$ 58,315,864</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY/(ASSET)  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 389,747
Interest	428,206
Benefit payments	<u>(486,067)</u>
<b>Net changes in total OPEB liability</b>	331,886
<b>Total OPEB Liability - beginning</b>	<u>7,432,997</u>
<b>Total OPEB Liability - ending (a)</b>	<u><u>\$ 7,764,883</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	1,525,633
Net investment income	800,978
Benefit payments	(486,067)
Administrative expense	<u>(74,291)</u>
<b>Net change in plan fiduciary net position</b>	1,766,253
<b>Plan fiduciary net position - beginning</b>	<u>7,231,950</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 8,998,203</u>
<b>District's net OPEB asset - ending (a) - (b)</b>	<u><u>\$ (1,233,320)</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>115.88%</u>
<b>Covered-employee payroll</b>	<u>\$ 34,993,144</u>
<b>District's net OPEB asset as a percentage of covered-employee payroll</b>	<u><u>3.52%</u></u>

*Note* : In the future, as data becomes 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, 2018**

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2018

9.71%

Annual money-weighted rate of return, net of investment expense

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

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, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0378%</u>	<u>0.0395%</u>
District's proportionate share of the net pension liability	\$ 34,975,009	\$ 31,984,006
State's proportionate share of the net pension liability associated with the District	<u>20,690,920</u>	<u>18,207,924</u>
Total	<u>\$ 55,665,929</u>	<u>\$ 50,191,930</u>
District's covered-employee payroll	<u>\$ 19,266,447</u>	<u>\$ 18,337,484</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>181.53%</u>	<u>174.42%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.1112%</u>	<u>0.1122%</u>
District's proportionate share of the net pension liability	<u>\$ 26,558,153</u>	<u>\$ 22,165,339</u>
District's covered-employee payroll	<u>\$ 14,190,330</u>	<u>\$ 13,457,508</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>187.16%</u>	<u>164.71%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.0445%</u>	<u>0.0419%</u>
\$ 29,940,012	\$ 24,496,314
<u>15,834,966</u>	<u>14,791,932</u>
<u>\$ 45,774,978</u>	<u>\$ 39,288,246</u>
<u>\$ 17,841,340</u>	<u>\$ 17,076,861</u>
<u>167.81%</u>	<u>143.45%</u>
<u>74%</u>	<u>77%</u>
<u>0.1125%</u>	<u>0.1068%</u>
<u>\$ 16,580,009</u>	<u>\$ 12,125,929</u>
<u>\$ 13,894,147</u>	<u>\$ 14,354,658</u>
<u>119.33%</u>	<u>84.47%</u>
<u>79%</u>	<u>83%</u>

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 2,837,760	\$ 2,423,719
Contributions in relation to the contractually required contribution	<u>2,837,760</u>	<u>2,423,719</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 19,665,696</u>	<u>\$ 19,266,447</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 2,356,517	\$ 1,970,753
Contributions in relation to the contractually required contribution	<u>2,356,517</u>	<u>1,970,753</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 15,172,990</u>	<u>\$ 14,190,330</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
\$ 1,967,612	\$ 1,584,311
<u>1,967,612</u>	<u>1,584,311</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 18,337,484	\$ 17,841,340
<u>10.73%</u>	<u>8.88%</u>

\$ 1,594,311	\$ 1,635,480
<u>1,594,311</u>	<u>1,635,480</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 13,457,508	\$ 13,894,147
<u>11.847%</u>	<u>11.771%</u>

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios**

This schedule presents information on the District's changes in the net OPEB liability/(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.

*Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.

*Changes of Assumptions* - The discount rate assumption was changed from 6.0 percent to 5.8 percent since the previous valuation.

#### **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 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 of Assumptions* - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

#### **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.

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***SUPPLEMENTARY INFORMATION***

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# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2018**

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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>
Hilda Zacarías	President	2020
Larry Lahr	Vice President	2018
Jeffery Hall	Member	2020
Dan Hilker	Member	2020
Gregory A. Pensa	Member	2018
Inri Serrano	Student Trustee	June 2019

### ADMINISTRATION

Kevin G. Walthers, Ph.D.	Superintendent/President
Vacant	Associate Superintendent/Vice President, Finance and Administration
Melinda Nish, Ed.D.	Interim 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, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 195,150	\$ -
Federal Supplemental Educational Opportunity Grants Administration	84.007		867	-
Federal Work-Study Program	84.033		178,285	-
Federal Work-Study Program Administration	84.033		17,281	-
Federal Pell Grant Program	84.063		9,819,517	-
Federal Pell Grant Program Administration	84.063		14,170	-
Federal Direct Student Loans	84.268		1,029,569	-
Total Student Financial Assistance Cluster			<u>11,254,839</u>	<u>-</u>
TRIO - Student Support Services/College Assistance Now	84.042A		229,487	-
Advance, Innovate, Maintain (AIM)	84.031S		382,400	-
Child Care Access Means Parents in School	84.335A		112,078	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act, Perkins Title I, Part C	84.048A	17-C01-001	529,905	-
CTE Transitions	84.048A	17-C01-001	41,592	-
<b>Total U.S. Department of Education</b>			<u>12,550,301</u>	<u>-</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through California Department of Education				
Child and Adult Care Food Program	10.558	04380-CACFP- 42-CC-IC	53,797	-
Passed through Santa Barbara County Office of Education				
Forest Reserve	10.665	[1]	5,764	-
<b>Total U.S. Department of Agriculture</b>			<u>59,561</u>	<u>-</u>
<b>Research and Development Cluster</b>				
<b>NATIONAL SCIENCE FOUNDATION</b>				
Scholarships in Engineering, Science, Mathematics, and Computer Science (SESMC)	47.076		159,480	-
Passed through The Regents of the University of California, Santa Barbara				
Enhancing Success in Transfer Education for Engineering Majors (ESTEEM)	47.076	KK1727	88,170	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through National Institutes of Health				
AHC-CPSU Bridges to the Baccalaureate Partnership Program	93.859	5R25GM086299-09	213,648	48,706
Total Research and Development Cluster			<u>461,298</u>	<u>48,706</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, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through Subrecipients
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through California Community Colleges				
Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	\$ 62,775	\$ -
Foster and Kinship Care Education Program	93.658	[1]	39,815	-
Passed through California Department of Education				
Child Care and Development Fund (CCDF) Cluster				
Child Care and Development Block Grant	93.575	15136	39,224	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	85,336	-
Total Child Care and Development Fund (CCDF) Cluster			124,560	-
Passed through Kern County Superintendent of Schools				
Medi-Cal Administrative Activities	93.778	[1]	4,095	-
<b>Total U.S. Department of Health and Human Services</b>			231,245	-
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Bulletproof Vest Partnership Program	16.607		416	-
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				
Veterans Service	64.000		1,722	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 13,304,543</b>	<b>\$ 48,706</b>

[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, 2018

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
Board Financial Assistance Program	\$ 409,534	\$ -	\$ -	\$ 409,534	\$ 409,534
CaWORKs	359,374	-	-	359,374	359,374
DSS/CaWORKs Assessment Tool	1,648	-	-	1,648	1,648
CARE	324,508	-	-	324,508	324,508
Extended Opportunity Program and Services	844,560	(5,665)	-	838,895	838,895
CAFYES	551,591	-	-	551,591	551,591
Disabled Students Program and Services	548,094	-	-	548,094	548,094
General Child Care and Development	152,825	56,808	-	209,633	187,484
California State Preschool Program	207,159	20,714	-	227,873	193,517
Child and Adult Care Food Program	2,432	438	-	2,870	2,870
Foster Care Title IV-E (Foster Parent Program)	49,149	-	-	49,149	49,149
Foster Kinship Care Education - CSEC	2,550	1,700	-	4,250	4,250
Child Development Training Consortium	8,163	-	7	8,156	8,118
MESA	83,455	-	2,052	81,403	81,403
Strong Workforce Grant (Local)	1,661,388	-	1,277,404	383,984	383,984
Strong Workforce Grant (Regional-SubRec of SBCC)	572,983	-	493,813	79,170	79,170
DSN AWET 16-17 Augmentation	90,570	-	-	90,570	90,570
DSN AWET 17-18 Augmentation	85,218	83,945	-	169,163	169,163
Regional SWF-DSN AWET (SubRec of SCCC)	200,000	-	136,265	63,735	63,735
Prop 39 Clean Energy Workforce Program (KCCD)	57,000	-	-	57,000	57,000
Sierra-Innovation Maker3-MakerSpace Sub-Rec Award	115,200	189,951	-	305,151	305,151
CTE Career Pathway Enhancement Prtic Agmt (Santa Clarita)	179	-	179	-	-
SCRAEC MOU w/Templeton Unified School District	2,684	-	-	2,684	2,684
Institutional Effectiveness MOU Grant (Santa Clarita CCD)	54,803	-	15,618	39,185	39,185
Econ Dev - Small Business Navigator (MiniGrant) Solano CC	239	-	239	-	-
CTE Data Unlocked (Sub Award - Rancho Santiago CCD)	44,446	-	21,512	22,934	22,934
Regional DSN-Skills USA Mini Award	1,000	-	1,000	-	-
Faculty Entrepr. Champion Mini Grant	7,500	-	288	7,212	7,212
CCCCO Corrections Contract	1,522,609	-	500,214	1,022,395	1,022,395
CTEIG CFK - STEMCS Camp (MOU w/SMJUHSD)	-	6,824	-	6,824	6,824
Puente Project	15,000	-	4,534	10,466	10,466
Veteran's Resource Center	43,686	-	24,501	19,185	19,185
Guided Pathways Grant	243,596	-	243,596	-	-
SB County QIG First 5 Accreditation	1,389	-	1,127	262	262
Transfer/Articulation Allocation	100	-	100	-	-
Zero Textbook Cost Program	17,693	22,010	-	39,703	39,703
National Partnership Environmental Technology Education	4,748	-	4,748	-	-
SB Toddler Accreditation	2	-	2	-	-
Econ Dev Enrollment Growth for Nursing 17/18	27,400	41,100	-	68,500	68,500
SSSP Credit Coord 17/18	1,884,908	-	-	1,884,908	1,884,908
SSSP Credit Coord 16/17 Carryover	689,928	-	-	689,928	689,928
SSSP Non Credit Coord 17/18	332,985	-	-	332,985	332,985
SSSP Non Credit Counseling 16/17 Carryover	35,861	-	-	35,861	35,861
Student Equity Coord 17/18	1,153,010	-	7,583	1,145,427	1,145,427
Student Equity Coord 16/17	33,067	-	-	33,067	33,067
Staff Development (Carryforward)	27	-	27	-	-
Faculty and Staff Development One-Time Funds	3,199	-	3,199	-	-

See accompanying note to supplementary information.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018, (CONTINUED)**

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
Staff Diversity	\$ 107,391	\$ -	\$ 57,752	\$ 49,639	\$ 49,639
California Articulation Number (CAN)	203	-	203	-	-
Cal Grants - Financial Aid	1,245,987	-	9,196	1,236,791	1,236,791
Community College Completion Grant (CCCG) - Financial Aid	195,000	-	46,500	148,500	148,500
Dreamer Grant - Financial Aid	88,490	-	-	88,490	88,490
Full Time Student Success Grant (FTSSG) - Financial Aid	565,280	-	7,480	557,800	557,800
AB104 Adult Education	3,262,412	-	1,975,075	1,287,337	1,287,337
AEBG Data and Accountability	109,412	-	50,684	58,728	58,728
Cal SOAP Grant	290,298	131,462	-	421,760	421,760
CCCCO-Basic Skills	521,575	-	167,180	354,395	354,395
Santa Clarita DSN Information and Communication	95	-	95	-	-
Santa Barbara QRIS Grant	39,363	-	31,893	7,470	7,470
Hunger Free Campus	18,157	-	7,113	11,044	11,044
Campus Safety and Sexual Assault	21,864	-	19,014	2,850	2,850
Total	\$ 18,912,987	\$ 549,287	\$ 5,110,193	\$ 14,352,081	\$ 14,295,538

See accompanying note to supplementary information.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2018**

<b>CATEGORIES</b>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2017 only)</b>			
1. Noncredit**	99.55	-	99.55
2. Credit	281.87	-	281.87
<b>B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>			
1. Noncredit**	1.05	-	1.05
2. Credit	23.90	-	23.90
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,878.68	-	4,878.68
(b) Daily Census Contact Hours	231.21	-	231.21
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	592.80	-	592.80
(b) Credit	1,004.40	-	1,004.40
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	998.86	-	998.86
(b) Daily Census Contact Hours	441.24	-	441.24
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>8,553.56</u>	<u>-</u>	<u>8,553.56</u>
<b>SUPPLEMENTAL INFORMATION</b>			
<b>(Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	16.54	-	16.54
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit**	482.69	-	482.69
2. Credit	371.29	-	371.29
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	261.70	-	261.70
Centers FTES			
1. Noncredit**	58.62	-	58.62
2. Credit	1,045.59	-	1,045.59

\*\* 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, 2018**

	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
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 8,988,023	\$ -	\$ 8,988,023	\$ 8,988,023	\$ -	\$ 8,988,023
Other	1300	8,458,827	-	8,458,827	8,458,827	-	8,458,827
<b>Total Instructional Salaries</b>		<b>17,446,850</b>	<b>-</b>	<b>17,446,850</b>	<b>17,446,850</b>	<b>-</b>	<b>17,446,850</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	4,682,515	-	4,682,515
Other	1400	-	-	-	475,106	-	475,106
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>5,157,621</b>	<b>-</b>	<b>5,157,621</b>
<b>Total Academic Salaries</b>		<b>17,446,850</b>	<b>-</b>	<b>17,446,850</b>	<b>22,604,471</b>	<b>-</b>	<b>22,604,471</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	9,944,172	-	9,944,172
Other	2300	-	-	-	777,333	-	777,333
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>10,721,505</b>	<b>-</b>	<b>10,721,505</b>
<b>Instructional Aides</b>							
Regular Status	2200	901,716	-	901,716	937,020	-	937,020
Other	2400	349,917	-	349,917	350,416	-	350,416
<b>Total Instructional Aides</b>		<b>1,251,633</b>	<b>-</b>	<b>1,251,633</b>	<b>1,287,436</b>	<b>-</b>	<b>1,287,436</b>
<b>Total Classified Salaries</b>		<b>1,251,633</b>	<b>-</b>	<b>1,251,633</b>	<b>12,008,941</b>	<b>-</b>	<b>12,008,941</b>
Employee Benefits	3000	4,889,584	-	4,889,584	10,845,472	-	10,845,472
Supplies and Material	4000	-	-	-	952,170	-	952,170
Other Operating Expenses	5000	1,438,871	-	1,438,871	6,006,450	-	6,006,450
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>25,026,938</b>	<b>-</b>	<b>25,026,938</b>	<b>52,417,504</b>	<b>-</b>	<b>52,417,504</b>

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, 2018**

	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
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 521,942	\$ -	\$ 521,942	\$ 521,942	\$ -	\$ 521,942
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	298,196	-	298,196
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	438,633	-	438,633
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	404,905	-	404,905
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	-	-	-	171,752	-	171,752
Noninstructional Supplies and Materials	4400	-	-	-	68,788	-	68,788
<b>Total Supplies and Materials</b>		-	-	-	240,540	-	240,540

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, 2018

	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	\$ -	\$ -	\$ -	\$ 1,541,429	\$ -	\$ 1,541,429
Capital Outlay	6000						
Library Books	6300	-	-	-	104,019	-	104,019
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	15,732	-	15,732
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	15,732	-	15,732
Total Capital Outlay		-	-	-	119,751	-	119,751
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		521,942	-	521,942	3,565,396	-	3,565,396
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 24,504,996	\$ -	\$ 24,504,996	\$ 48,852,108	\$ -	\$ 48,852,108
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		50.16%		50.16%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 24,426,054		\$ 24,426,054

See accompanying note to supplementary information.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)  
EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Revenue:	8630				\$ 9,288,931
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 9,288,931	\$ -	\$ -	\$ 9,288,931
<b>Total Expenditures for EPA</b>		\$ 9,288,931	\$ -	\$ -	\$ 9,288,931
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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

**Total Fund Balance:**

General Funds	\$ 25,531,545
Child Development	310,979
PCPA Fund	410,279
Debt Service	36,024,243
Capital Project funds	9,291,602
Internal Service Fund	3,947,188
Fiduciary Funds	10,388,237
Agency Funds - Due to Student Groups	<u>208,666</u>

**Total Fund Balance - All District Funds**

**\$ 86,112,739**

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	259,483,265	
Accumulated depreciation is	<u>(58,019,273)</u>	201,463,992

Amounts held in trust on behalf of others (Trust and Agency Funds) (10,575,303)

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (2,460,238)

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities. 5,376,437

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 1,233,320

Deferred outflows of resources related to OPEB represents a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of:  
OPEB contributions subsequent to measurement date 187,658

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	5,194,277
Net change in proportionate share of net pension liability	1,261,713
Differences between projected and actual earnings on pension plan investments	918,731
Differences between expected and actual experience in the measurement of the total pension liability	1,080,810
Changes of assumptions	<u>10,358,765</u>

Total Deferred Outflows of Resources Related to Pensions 18,814,296

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, 2018**

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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	\$ (3,870,941)	
Differences between projected and actual earnings on pension plan investments	(931,482)	
Differences between expected and actual experience in the measurement of the total pension liability	(610,020)	
Changes of assumptions	<u>(312,689)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (5,725,132)

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

Long-term obligations at year-end consist of:

Bonds payable	(163,130,495)	
Compensated absences (vacations)	(1,072,031)	
Less compensated absences already recorded in funds	349,896	
Capital leases payable	(191,185)	
Aggregate net pension obligation	(61,533,162)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	<u>(11,708,002)</u>	<u>(237,284,979)</u>
<b>Total Net Position</b>		<b><u>\$ 57,142,790</u></b>

See accompanying note to supplementary information.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 20182018**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

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

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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:		\$ 13,356,775
Medi-Cal Administrative Activities	93.778	(16,285)
Child and Adult Care Food Program	10.558	(10,304)
Child Care and Development Block Grant	93.575	(25,643)
Total Expenditures of Federal Awards		<u>\$ 13,304,543</u>

**Schedule of Expenditures of State Awards**

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

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

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

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 20182018

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

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

### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements**

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

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

This schedule provides 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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Board of Trustees  
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2018.

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

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, Tunc, Day & Co., LLP

Rancho Cucamonga, California  
November 29, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT 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, 2018. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

## 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.

Vaunier, Tume, Day & Co. LLP

Rancho Cucamonga, California  
November 29, 2018



## 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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

### Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

### 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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. 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 State programs noted below that were audited for the year ended June 30, 2018.

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 (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

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

*Vannick, Tume, Day & Co. LLP*

Rancho Cucamonga, California  
November 29, 2018

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

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**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 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, 2018**

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None reported.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

# ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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

### *Financial Statement Findings*

None reported.

### *Federal Awards Findings*

None reported.

### *State Awards Findings*

None reported.