PRELIMINARY OFFICIAL STATEMENT DATED APRIL 5, 2019

NEW ISSUE—FULL BOOK-ENTRY **RATINGS: Moody's: "Aa2"; S&P: "AA"**
(See "MISCELLANEOUS – Ratings" herein)

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

$23,000,000*
ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT
(Santa Barbara, San Luis Obispo and Ventura Counties, California)
Election of 2006 General Obligation Bonds, Series E

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

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

The Allan Hancock Joint Community College District (Santa Barbara, San Luis Obispo and Ventura Counties, California) Election of 2006 General Obligation Bonds, Series E (the "Bonds"), were authorized at an election of the registered voters of the Allan Hancock Joint Community College District (the "District") held on June 6, 2006, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of $180,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuance of the Bonds.

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

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

The Bonds will be issued as current interest bonds, such that interest thereon shall accrue from the date of delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

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

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as stated herein.*

Maturity Schedule
(See inside front cover)

The Bonds are offered when, as and if issued, and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriter by Norton Rose Fulbright US LLP. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company, in New York, New York, on or about _____________, 2019.

Morgan Stanley

Dated: _____________, 2019

* Preliminary, subject to change.

MATURITY SCHEDULE

$23,000,000*
ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT
(Santa Barbara, San Luis Obispo and Ventura Counties, California)
Election of 2006 General Obligation Bonds, Series E

Base CUSIP(1): 016730

$_______________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix(1)

$_______________ - ___% Term Bonds due August 1, 20__ - Yield: ___%; CUSIP(1) Suffix:

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* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of their transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Municipal Advisor

KNN Public Finance, LLC
Oakland, California

Paying Agent

U.S. Bank National Association
Seattle, Washington

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ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT
(Santa Barbara, San Luis Obispo and Ventura Counties, California)
Election of 2006 General Obligation Bonds, Series E

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Allan Hancock Joint Community College District (Santa Barbara, San Luis Obispo and Ventura Counties, California) Election of 2006 General Obligation Bonds, Series E (the "Bonds").

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

The District

The Allan Hancock Joint Community College District (the "District"), a community college district and political subdivision of the State of California (the "State"), was originally formed in 1920 as Santa Maria Junior College and reorganized in 1963 as Allan Hancock Joint Community College District. The District is located in northern Santa Barbara County (the "County") and in portions of Ventura and San Luis Obispo Counties (collectively with the County, the "Counties") and the Channel Islands. The District encompasses an area that includes the cities of Santa Maria, Orcutt, Guadalupe, Lompoc, Buellton, Solvang, Santa Ynez and Cuyama. The District currently maintains one comprehensive community college in Santa Maria, Allan Hancock College, with satellite centers located in Lompoc, Solvang and Vandenberg Air Force Base. Allan Hancock College is fully accredited by the Accrediting Commission for Community and Junior Colleges (the "ACCJC"). For fiscal year 2018-19, the District has budgeted its full-time equivalent student ("FTES") count at approximately 9,617 students. Taxable property within the District has a fiscal year 2018-19 assessed valuation of $27,513,278,756.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent/President appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Kevin G. Walthers is the District's Superintendent/President.

For more information about the District generally, see "ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT" herein. For more information regarding the District's assessed valuation, see "TAX BASE FOR REPAYMENT OF BONDS" herein. The District's audited financial statements for fiscal year ended June 30, 2018 are attached hereto as APPENDIX B and should be read in their entirety.

* Preliminary, subject to change.

Purpose of the Bonds

The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and other applicable law, and pursuant to a resolution adopted by the Board on February 12, 2019 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Security and Sources of Payment for the Bonds

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

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – Book-Entry Only System" herein. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See also "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the captions "INTRODUCTION – Tax Matters" and "TAX MATTERS" herein and in APPENDIX A attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

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

Redemption.*[*] The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as further described herein. See also "THE BONDS – Redemption" herein.

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the initial date of delivery thereof (the "Date of Delivery"), such interest to be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover page hereof.

[*] Preliminary, subject to change.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association as the designated paying agent, bond registrar and transfer agent (collectively, the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners.

Tax Matters

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about ___________, 2019.

Bond Owner's Risks

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

Continuing Disclosure

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

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "intend," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as Bond Counsel and Disclosure Counsel to the District and KNN Public Finance, LLC, Oakland, California, acting as Municipal Advisor to the District, will each receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

Other Information

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

Copies of documents referred to herein and information concerning the Bonds are available from Allan Hancock Joint Community College District, 800 S. College Drive, Santa Maria, CA 93454, telephone: (805) 922-6966. The District may impose a charge for copying, mailing and handling.

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

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

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq*., as amended, Article XIIIA of the California Constitution and the Resolution. The District received authorization at an election held on June 6, 2006 by the requisite 55% of the votes cast by eligible voters within the District to issue $180,000,000 aggregate principal amount of general obligation bonds (the "Authorization"). The Bonds are the sixth series of bonds issued under the Authorization, and following the issuance thereof, $11,230,867.50* will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Boards are empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest thereon when due, as described above. The levy of *ad valorem* property taxes for payment of the Bonds may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The Counties, however, are not obligated to establish or maintain such a reserve for any of the Bonds, and the District can make no representation that the Counties will do so. Such taxes, when collected, will be placed by the Counties in the Debt Service Fund (defined herein) created by the Resolution, which fund is required to be segregated and maintained by the County and which is designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and the County will maintain the Debt Service Fund, the Bonds are not a debt of either of the Counties.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds, as described above, will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood,

* Preliminary, subject to change.

fire, wildfire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

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

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

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See "— Book-Entry Only System" herein. Beneficial Owners will not receive certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing August 1, 2019. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2019, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover pages hereof.

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

Annual Debt Service

The following table summarizes the annual debt service requirements of the District for the Bonds, together with the District's other outstanding general obligation bonds, assuming no optional redemptions are made:

Year Ending August 1	Outstanding Bonds Debt Service(1)	Annual Principal Payment	Annual Interest Payment(2)	Total Annual Debt Service
2019	$7,629,572.50			
2020	7,868,172.50			
2021	8,119,372.50			
2022	8,384,522.50			
2023	9,110,397.50			
2024	9,381,961.50			
2025	9,655,675.50			
2026	9,945,343.50			
2027	10,228,849.00			
2028	10,255,325.00			
2029	10,588,663.00			
2030	10,937,950.50			
2031	18,025,800.50			
2032	20,005,073.50			
2033	20,612,688.50			
2034	12,424,289.00			
2035	10,140,276.00			
2036	10,626,826.00			
2037	11,123,226.00			
2038	11,648,426.00			
2039	14,135,351.00			
2040	11,981,838.50			
2041	12,462,228.50			
2042	12,960,638.50			
2043	13,478,558.50			
2044	14,019,176.00			
2045	14,579,240.00			
2046	15,160,720.00			
2047	15,766,080.00			
Total	$351,256,242.00			

(1) Includes gross debt service on the District's General Obligation Bonds, Election of 2006, Series B-1 (the "Series B-1 Bonds"), which bonds were designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 and with respect to which the District expects to receive, subject to federal sequestration actions, a cash subsidy from the United State Treasury equal to 35% of the interest payable on the 2004 Series C Bonds.

(2) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2019.

For additional information, and for a full debt service schedule of all of the District's outstanding general obligation bond debt, see "ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds" herein.

Application and Investment of Bond Proceeds

The proceeds of the sale from the Bonds, net of costs of issuance and any premium received upon the sale thereof, will be deposited by the County to the credit of the building fund created by the Resolution (the "Building Fund"), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein.

The *ad valorem* property taxes levied by the Counties for the payment of the Bonds, when collected, are required to be held separate and apart by the County in a debt service fund created by the Resolution (the "Debt Service Fund"), and used only for payment of principal of and interest on Bonds. Accrued interest and any premium received upon the sale of the Bonds will be deposited into the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Building Fund and Debt Service Fund are expected to be invested through the County's pooled investment fund. See "APPENDIX E – SANTA BARBARA COUNTY INVESTMENT POOL" attached hereto.

Redemption

Optional Redemption.*[*] The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption[*]**.** The Bonds maturing on August 1, 20__ (the "Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__ at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Term Bonds to be so redeemed and the dates therefor and the final maturity date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
Total	

In the event that a portion of the Term Bonds shown above is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced

[*] Preliminary, subject to change.

proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

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

Notice of Redemption. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice will further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue.

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

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

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

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds as described above, unless upon the giving of such notice such Bonds (or portions thereof) shall be deemed to have been defeased as described in "—Defeasance" herein, such notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on such Bonds (or portions thereof) to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of such rescission in the same manner as the Redemption Notice was originally provided.

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

Effect of Redemption Notice. Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "—Defeasance" herein, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

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

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Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with the Direct Participants, the "Participants"). DTC has an S&P (as defined herein) rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance

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

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

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

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

Direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that all such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by S&P Global Ratings ("S&P") or by Moody's Investors Service ("Moody's").

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Original Issue Premium
Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Debt Service Fund
Costs of Issuance[(1)]
Underwriter's Discount
Total Uses

(1) Reflects all costs of issuance of the Bonds, including, but not limited to, demographics fees, legal and municipal advisory fees, ratings fees and the costs and fees of the Paying Agent.

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

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

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

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

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

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

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

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts and community college districts (collectively, "K-14 school districts") will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the applicable county in which such property is located, except for public utility property which is assessed by the State Board of Equalization ("SBE"). Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the State Constitution. For a discussion of how properties currently are assessed and re-assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

The following table sets forth the 10-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year.

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ASSESSED VALUATIONS
Fiscal Years 2009-10 through 2018-19
Allan Hancock Joint Community College District

San Luis Obispo County Portion

	Local Secured	Utility	Unsecured	Total
2009-10	$32,029,324	--	$622,863	$32,652,187
2010-11	33,805,029	--	621,419	34,426,448
2011-12	35,977,401	--	575,492	36,552,893
2012-13	37,314,932	--	1,484,756	38,799,688
2013-14	38,321,902	--	1,821,532	40,143,434
2014-15	41,347,013	--	1,640,817	42,987,830
2015-16	45,940,537	--	2,063,996	48,004,533
2016-17	45,979,278	--	2,005,643	47,984,921
2017-18	47,427,777	--	1,534,872	48,962,649
2018-19	49,823,521	--	1,795,501	51,619,022

Santa Barbara County Portion

	Local Secured	Utility	Unsecured	Total
2009-10	$19,782,301,740	$5,599,805	$1,202,234,135	$20,990,135,680
2010-11	19,877,359,234	5,599,805	1,238,739,046	21,121,698,085
2011-12	20,212,503,160	3,022,795	1,216,215,698	21,431,741,653
2012-13	20,348,036,506	633,951	1,227,506,514	21,576,176,971
2013-14	20,832,746,985	633,701	1,211,765,333	22,045,146,019
2014-15	21,807,731,609	633,701	1,536,929,944	23,345,295,254
2015-16	22,689,004,458	393,701	1,670,161,526	24,359,559,685
2016-17	23,216,562,725	444,856	1,696,775,583	24,913,783,164
2017-18	24,494,076,492	917,939	1,717,617,561	26,212,611,992
2018-19	25,666,151,040	917,939	1,743,004,093	27,410,073,072

Ventura County Portion

	Local Secured	Utility	Unsecured	Total
2009-10	$20,215,718	--	$3,023,904	$23,239,622
2010-11	21,568,945	--	7,078,166	28,647,111
2011-12	21,601,296	--	6,367,195	27,968,491
2012-13	22,455,610	--	18,952,003	41,407,613
2013-14	23,548,289	--	12,127,687	35,675,976
2014-15	24,936,868	--	18,306,592	43,243,460
2015-16	28,005,178	--	11,560,882	39,566,060
2016-17	28,527,117	--	9,752,818	38,279,935
2017-18	28,795,040	--	7,468,520	36,263,560
2018-19	29,962,109	--	21,624,553	51,586,662

Total District

	Local Secured	Utility	Unsecured	Total
2009-10	$19,834,546,782	$5,599,805	$1,205,880,902	$21,046,027,489
2010-11	19,932,733,208	5,599,805	1,246,438,631	21,184,771,644
2011-12	20,270,081,857	3,022,795	1,223,158,385	21,496,263,037
2012-13	20,407,807,048	633,951	1,247,943,273	21,656,384,272
2013-14	20,894,617,176	633,701	1,225,714,552	22,120,965,429
2014-15	21,874,015,490	633,701	1,556,877,353	23,431,526,544
2015-16	22,762,950,173	393,701	1,683,786,404	23,447,130,278
2016-17	23,291,069,120	444,856	1,708,534,044	25,000,048,020
2017-18	24,570,299,309	917,939	1,726,620,953	26,297,838,201
2018-19	25,745,936,670	917,939	1,766,424,147	27,513,278,756

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, wildfire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Adjustments of Assessed Valuation. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIIIA of the California Constitution" herein.

No assurance can be given that property tax appeals currently pending or in the future, or actions by county assessors, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
Allan Hancock Joint Community College District

Non-Residential:	2018-19 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Agricultural/Vineyards	$2,910,439,358	11.30%	4,598	6.54%
Commercial	2,635,820,791	10.24	2,169	3.08
Vacant Commercial	167,419,474	0.65	395	0.56
Industrial	1,298,046,216	5.04	811	1.15
Petroleum & Gas	681,773,484	2.65	372	0.53
Vacant Industrial	66,302,411	0.26	236	0.34
Recreational	75,634,354	0.29	437	0.62
Government/Social/Institutional	141,783,577	0.55	411	0.58
Miscellaneous	13,662,698	0.05	917	1.30
Subtotal Non-Residential	$7,990,882,363	31.04%	10,346	14.71%
Residential:				
Single Family Residence	$15,099,514,157	58.65%	46,064	65.47%
Condominium/Townhouse	882,860,807	3.43	4,420	6.28
Mobile Home/Mobile Home Lots	133,334,818	0.52	5,030	7.15
Mobile Home Park	129,973,813	0.50	44	0.06
2-4 Residential Units	499,997,992	1.94	1,897	2.70
5+ Residential Units/Apartments	821,987,429	3.19	629	0.89
Miscellaneous Residential	4,102,369	0.02	6	0.01
Vacant Residential	183,282,922	0.71	1,921	2.73
Subtotal Residential	$17,755,054,307	68.96%	60,011	85.29%
Total	$25,745,936,670	100.00%	70,357	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Assessed Valuation by Jurisdiction. The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

ASSESSED VALUATION AND PARCELS BY JURISDICTION
Fiscal Year 2018-19
Allan Hancock Joint Community College District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Buellton	$996,696,536	3.62%	$996,696,536	100.00%
City of Guadalupe	401,738,992	1.46	401,738,992	100.00
City of Lompoc	2,758,417,011	10.03	2,758,417,011	100.00
City of Santa Maria	8,872,067,311	32.25	8,872,067,311	100.00
City of Solvang	1,266,046,634	4.60	1,266,046,634	100.00
Unincorporated San Luis Obispo County	51,619,022	0.19	25,261,656,169	0.20
Unincorporated Santa Barbara County	13,115,106,588	47.67	38,867,146,088	33.74
Unincorporated Ventura County	51,586,662	0.19	22,621,121,143	0.23
Total District	$27,513,278,756	100.00%		
Summary by County:				
San Luis Obispo County	$51,619,022	0.19	$53,669,914,101	0.10%
Santa Barbara County	27,410,073,072	99.62	82,868,059,992	33.08
Ventura County	51,586,662	0.19	134,913,532,515	0.04
Total District	$27,513,278,756	100.00%		

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES[(1)]
Fiscal Year 2018-19
Allan Hancock Joint Community College District

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	46,064	$15,099,514,157	$327,794	$269,858

2018-19 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	1,121	2.434%	2.434%	$43,191,010	0.286%	0.286%
50,000 - 99,999	3,823	8.299	10.733	270,267,302	1.790	2.076
100,000 - 149,999	3,286	7.134	17.866	417,192,240	2.763	4.839
150,000 - 199,999	5,827	12.650	30.516	1,025,231,672	6.790	11.629
200,000 - 249,999	6,535	14.187	44.703	1,470,192,781	9.737	21.365
250,000 - 299,999	5,903	12.815	57.518	1,619,233,035	10.724	32.089
300,000 - 349,999	5,034	10.928	68.446	1,632,463,845	10.811	42.901
350,000 - 399,999	4,023	8.734	77.180	1,500,031,375	9.934	52.835
400,000 - 449,999	2,694	5.848	83.028	1,138,663,614	7.541	60.376
450,000 - 499,999	1,906	4.138	87.166	902,290,636	5.976	66.352
500,000 - 549,999	1,290	2.800	89.966	675,461,852	4.473	70.825
550,000 - 599,999	965	2.095	92.061	552,520,352	3.659	74.484
600,000 - 649,999	595	1.292	93.353	371,006,920	2.457	76.941
650,000 - 699,999	484	1.051	94.403	326,584,141	2.163	79.104
700,000 - 749,999	364	0.790	95.194	264,010,272	1.748	80.853
750,000 - 799,999	306	0.664	95.858	236,761,082	1.568	82.421
800,000 - 849,999	266	0.577	96.435	219,440,906	1.453	83.874
850,000 - 899,999	191	0.415	96.850	166,794,544	1.105	84.978
900,000 - 949,999	168	0.365	97.215	155,410,484	1.029	86.008
950,000 - 999,999	140	0.304	97.519	136,377,739	0.903	86.911
1,000,000 and greater	1,143	2.481	100.000	1,976,388,355	13.089	100.000
Total	46,064	100.000%		$15,099,514,157	100.000%	

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

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Tax Delinquencies

The following table shows secured *ad valorem* property tax levies within the District, and amounts delinquent as of June 30, for the fiscal years 2008-09 through 2017-18. The Counties have implemented the Teeter Plan. See "– Alternative Method of Tax Apportionment – Teeter Plan" below.

SECURED TAX CHARGES AND DELINQUENCIES[(1)]
Fiscal Years 2008-09 through 2017-18
Allan Hancock Joint Community College District

Fiscal Year	Secured Tax Charge	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2008-09	$4,969,388.47	$175,118.75	3.52%
2009-10	4,867,941.13	150,187.93	3.09
2010-11	4,887,864.15	112,237.98	2.30
2011-12	4,941,458.94	78,170.82	1.58
2012-13[(2)]	5,005,633.69	56,845.21	1.14
2013-14	5,137,754.65	49,732.47	0.97
2014-15	5,387,846.68	66,309.81	1.23
2015-16	5,532,394.52	17,628.07	0.32
2016-17	5,720,653.94	48,130.12	0.84
2017-18	5,728,119.85	67,331.74	1.18

(1) District's general obligation bond debt service levy.
(2) Dollar amounts unavailable.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – Teeter Plan

The Boards of Supervisors of the Counties have implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the Counties apportion secured property taxes on an accrual basis when due (irrespective of actual collections) to their local political subdivisions, including the District, for which such Counties act as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the Counties act as the tax-levying or tax-collecting agency, or for which the applicable county treasury is the legal depository of the tax collections. As adopted by the Counties, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the Counties.

The Teeter Plan is to remain in effect unless the respective Boards of Supervisors of the Counties order its discontinuance or unless, prior to the commencement of any fiscal year of the Counties (which commence on July 1), the Boards of Supervisors receive a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in such County. In the event such Board of Supervisors are to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the Counties act as the tax-levying or tax-collecting agency.

Tax Rates

A representative tax rate area ("TRA") located within the District is TRA 3-000. The table below demonstrates the total *ad valorem* property tax rates levied, as a percentage of assessed valuation, by all taxing entities in TRA 3-000 during the five-year period from 2014-15 through 2018-19.

TYPICAL TAX RATE (TRA 3-000)[(1)]
Fiscal Years 2014-15 through 2018-19
Allan Hancock Joint Community College District

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Santa Maria-Bonita School District	--	.02575	.02575	.02575	.02060
Santa Maria Joint Union High School District	.04522	.04949	.04943	.07864	.07449
Allan Hancock Joint Community College District	.02500	.02500	.02500	.02375	.02256
Total All Property	1.07022%	1.10024%	1.10018%	1.12814%	1.11765%

(1) Fiscal year 2018-19 assessed valuation of TRA 3-000 is $5,292,830,227.
Source: California Municipal Statistics, Inc.

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Largest Property Owners

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19
Allan Hancock Joint Community College District

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Windset Farms California Inc.	Nursery/Greenhouse	$248,567,089	0.97%
2.	Jackson Family Estates II & III LLC	Vineyards	134,740,432	0.52
3.	Pacific Coast Energy Company LP	Petroleum/Gas	122,613,596	0.48
4.	Celite Corporation	Mining	115,890,118	0.45
5.	Okonite Company Inc.	Light Manufacturing	107,303,019	0.42
6.	Exxon Corporation	Petroleum/Gas	95,310,710	0.37
7.	ERG Resources LLC	Petroleum/Gas	92,922,568	0.36
8.	Premiere Agricultural Properties LLC	Vineyards	65,597,110	0.25
9.	Greka Oil & Gas Inc.	Petroleum/Gas	61,492,800	0.24
10.	Pacific Offshore Pipeline Co.	Petroleum/Gas	59,361,537	0.23
11.	Dario L. Pini	Apartments	58,001,277	0.23
12.	Beringer Wine Estates Company	Vineyards	56,500,218	0.22
13.	KW Bradley Square LLC	Apartments	50,056,505	0.19
14.	Wal-Mart Real Estate Business Trust	Commercial	48,735,411	0.19
15.	Santa Ynez Band of Mission Indians	Hotel/Agricultural	48,312,593	0.19
16.	Santa Maria Land Partners LLC	Apartments	47,287,165	0.18
17.	MGP 50 LLC	Assisted Living Facility	43,940,365	0.17
18.	Betteravia Investments LLC	Industrial	43,382,732	0.17
19.	Douglas Fire Investments D LLC	Apartments	43,191,000	0.17
20.	Apio Inc.	Light Industrial	42,531,073	0.17
			$1,585,737,318	6.16%

(1) The fiscal year 2018-19 total District secured assessed valuation is $25,745,936,670.
Source: California Municipal Statistics, Inc.

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Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report"), prepared by California Municipal Statistics, Inc. and effective as of March 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The following table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

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

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STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Allan Hancock Joint Community College District

2018-19 Assessed Valuation: $27,513,278,756

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/19
Allan Hancock Joint Community College District	**100.000%**	**$126,174,237**[(1)]
Lompoc Unified School District	100.000	17,415,971
Santa Maria Joint Union High School District	99.997	116,730,752
Santa Ynez Union High School District	100.000	13,755,000
Buellton School District	100.000	6,920,887
College School District	100.000	6,343,587
Cuyama Joint Unified School District	100.000	1,950,000
Guadalupe Union School District	100.000	2,685,000
Los Olivos School District	100.000	3,486,000
Orcutt School District	100.000	24,910,000
Santa Maria-Bonita Joint School District	99.996	29,998,800
Solvang School District	100.000	6,469,202
City of Guadalupe	100.000	16,000
Lompoc Healthcare District	100.000	68,415,000
City of Lompoc 1915 Act Bonds	100.000	1,845,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$427,115,436
OVERLAPPING GENERAL FUND DEBT:		
Santa Barbara County Certificates of Participation	33.077%	$13,432,570
San Luis Obispo and Ventura County Obligations	0.096 & 0.038	228,434
Santa Maria Union High School District Certificates of Participation	99.997	2,501,020
Santa Ynez Union High School District Certificates of Participation	100.000	1,989,000
College School District Certificates of Participation	100.000	2,075,728
Santa Maria-Bonita School District Certificates of Participation	99.996	34,116,401
Other School District Certificates of Participation	100.000	4,764,060
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$59,107,213
Less: Santa Barbara County supported obligations		955,925
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$58,151,288
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$16,910,000
GROSS COMBINED TOTAL DEBT		$503,132,649[(2)]
NET COMBINED TOTAL DEBT		$502,176,724

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($126,174,237)..0.46%
Total Direct and Overlapping Tax and Assessment Debt 1.55%
Gross Combined Total Debt 1.83%
Net Combined Total Debt...1.83%

Ratios to Redevelopment Incremental Valuation ($714,985,112):
Total Overlapping Tax Increment Debt 2.37%

(1) Excludes the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied by the Counties for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Counties on behalf of the District to levy taxes for payment of the Bonds.*

Article XIIIA of the California Constitution

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

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

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

Legislation Implementing Article XIIIA

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

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

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

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Unitary Property

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

Article XIIIB of the California Constitution

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

(a) "change in the cost of living" with respect to K-14 districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a K-14 school district means the percentage change in the average daily attendance of such K-14 district from the preceding fiscal year.

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts and community college districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Propositions 98 and 111

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

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

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

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

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

a. <u>Annual Adjustments to Spending Limit</u>. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. <u>Treatment of Excess Tax Revenues</u>. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such district's minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into such districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. <u>Exclusions from Spending Limit</u>. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. <u>Recalculation of Appropriations Limit</u>. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. <u>School Funding Guarantee</u>. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of

(1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also referred to as a "maintenance factor") to K-14 school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Jarvis v. Connell

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

Proposition 1A and Proposition 22

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

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

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than

$300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

Proposition 2

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

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

For the first 15 year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

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

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at $3 million for a new facility and $1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The District makes no guarantees that it will either pursue or qualify for Proposition 51 state facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 39, 22, 26, 30, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

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

Major Revenues

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

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

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

"Community Supported" community college districts (also referred to "basic aid" districts) are those districts whose local property taxes, student enrollment fee collections, and Education Protection

Account funds exceed the revenue allocation determined by the current State funding model. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 55" herein. Thus, Community Supported districts do not receive any general apportionment funding from the State. The current law in the State allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that the legislatively determined annual COLAs and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District does not currently qualify as a Community Supported district.

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

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

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

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

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

The SCFF includes several provisions to provide districts greater financial stability in transitioning to the new formula: (i) for fiscal years 2018-19 through 2020-21, community college districts will receive no less in total apportionment funding than they received in 2017-18, adjusted for COLAs; (ii) for fiscal year 2021-22 and onward, districts will receive no less in apportionment funding per-student than they received in fiscal year 2017-18; and (iii) beginning in fiscal year 2018-19, districts will receive the greater of the amount calculated by the SCFF for the current or prior year (excluding amounts districts receive pursuant to the provision summarized in (i) above.)

<u>Base Allocation.</u> The Base Allocation is composed of (1) the Basic Allocation, determined consistent with the prior funding formula (see "—Enrollment Based Funding"), and (2) funding for credit,

non-credit and CDCP FTES. The Base Allocation is expected to constitute approximately 70% of Statewide funding for community college district in fiscal year 2018-19, 65% in fiscal year 2019-20 and 60% in fiscal years 2020-21 and onward.

The SCFF provides minimum funding levels for credit FTES for the first three fiscal years, as follows: (i) $3,727 for fiscal year 2018-19, (ii) $3,387 for fiscal year 2019-20, adjusted for COLAs and other base adjustments, and (iii) $3,046 for fiscal year 2020-21, adjusted for COLAs and other base adjustments in both the then-current and prior fiscal year. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts, which do not include the District, that were entitled to higher funding rates under the prior funding formula. Beginning in fiscal year 2021-22, the provision of COLAs and other adjustments will be subject to appropriation therefor in the annual State budget. Total funding for credit FTES will be based on a rolling three-year average of the funded credit FTES from the current fiscal year and the two immediately preceding fiscal years.

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

The table below shows the District's resident FTES figures for the last nine fiscal years, along with projected FTES for the current fiscal year.

RESIDENT FULL TIME EQUIVALENT STUDENTS
Fiscal Years 2009-10 through 2018-19
Allan Hancock Joint Community College District

Fiscal Year	Funded FTES	Unfunded FTES	Total FTES
2009-10	9,557	444	10,001
2010-11	9,751	307	10,059
2011-12	9,017	241	9,258
2012-13	9,127	159	9,286
2013-14	9,385	46	9,481
2014-15	9,475	0	9,475
2015-16	8,494	0	8,494
2016-17	10,022	0	10,022
2017-18	9,357	0	9,357
2018-19(1)	9,000	0	9,000

(1) Projected.
Source: Allan Hancock Joint Community College District.

Supplemental Allocation. The Supplemental Allocation, accounting for approximately 20% of Statewide funding, will be distributed to districts based on their headcounts of students that qualify for Federal Pell Grants, California College Promise Grants or student fee waivers under California Education Code 76300. The SCFF provides $919 per qualifying student for fiscal year 2018-19. Beginning in fiscal year 2019-20, the provision of COLAs and other adjustments to this amount will be subject to appropriation therefor in the annual State budget. Headcounts are not unduplicated, such that districts will receive twice as much supplemental funding for a student that falls into more than one of the aforementioned categories.

Student Success Allocation. The Student Success Allocation will be distributed to districts based on their performance in a various student outcome metrics, including obtaining various degrees and certificates, completing transfer-level math and English courses within a student's first year, and having students obtain a regional living wage within a year of completing community college. The Student

Success Allocation is expected to account for 10% of statewide funding for community college districts in fiscal year 2018-19, 15% in fiscal year 2019-20 and 20% in fiscal years 2020-21 and onward. Each metric is assigned a point value, with some metrics are weighted more than others. A single student outcome with more points will generate more funding. Outcome metrics for students that qualify for Federal Pell Grants and California College Promise Grants are eligible for additional funding.

For fiscal year 2018-19, the SCFF provides a rate for all students of $440 per point, and additional $111 per point for Pell Grant and California College Promise Grant students. For fiscal year 2019-20, these rates increase to $660 per point and $167 per point, respectively, subject to COLAs and other base adjustments. For fiscal year 2020-21, the rates increase to $880 per point and $222 per point, respectively, subject to COLAs and other base adjustments.

Budget Procedures

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

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

See "ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT – General Fund Budgeting" herein for more information regarding the District's recent budgets.

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

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

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

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

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

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

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

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

State Assistance

State community college districts' principal funding formulas, and (except for Basic Aid districts as described herein) principal revenue sources, are derived from the State budget. The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, neither the District nor the Underwriter has independently verified such information.

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's preliminary review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over $4.4 billion, including a $2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the $2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of $129.8 billion and total expenditures of $127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $16.7 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues and transfers of $133.3 billion and authorizes expenditures of $138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $15.9 billion, including $2.0 billion in the traditional general fund reserve, $13.8 billion in the BSA and $200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at $71.6 billion, an increase of $252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion, reflecting an increase of $1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of $789 million, on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to community college education, the 2018-19 Budget sets Proposition 98 funding at $9.2 billion, including $6.0 billion from the State general fund, reflecting an increase of $474 million (or 5.5%) from the prior year. This increase includes $164 million for the K-12 component of the Strong Workforce Program – excluding this amount, the total increase for community college spending from the prior year's level is $310 million (or 3.6%). Per-FTES spending increases $630 (or 8.5%) to $8,046.

Other significant features with respect to community college education funding include the following:

- *New Funding Formula* – $175 million in ongoing and $35 million one-time Proposition 98 funding to begin the transition to a new community college funding formula. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Budget Procedures."

- *Enrollment; Apportionments* – An increase of $60 million in Proposition 98 funding to base allocations to support a 1% growth in enrollment system-wide. The 2018-19 Budget also provides $173 million to fund a 2.71% COLA to apportionments and $13 million to fund a 2.71% COLA to selected categorical programs.

- *California Online College* – $100 million in one-time Proposition 98 funding and $20 million in ongoing Proposition 98 funding for the establishment and operation of a fully online community college (the "Online College") to be administered by the California Community Colleges Board of Governors.

- *Online Programs for Existing Community College Districts* – $35 million one-time Proposition 98 funding for existing community college districts to develop online programs and courses that lead to short-term industry-valued credentials or enable a student who completed a program at the Online College to continue their education at an existing community college.

- *Faculty* – $50 million additional ongoing Proposition 98 funding for colleges to hire more full-time faculty, and $50 million one-time Proposition 98 funding for part-time faculty office hours.

- *Financial Aid* – $46 million in Proposition 98 funding for the expansion of the California College Promise Grant program. The 2018-19 Budget also replaces the Full-Time Student Success Grant and the Community College Completion Grant with a new program – the Community Colleges Student Success Completion Grant – intended to help financially needy community college students with their living costs. The 2018-19 Budget provides $132 million in funding for this new program, an increase of $41 million over the combined cost of the two prior programs in 2017-18.

- *Student Services* – Several one-time allocations for community college districts to help students with various issues of core academic instruction, including $10 million to provide mental health services, $10 million to address student hunger at campuses, and $10 million to provide legal services to undocumented students.

- *Maintenance and Instructional Equipment* – $28 million in one-time Proposition 98 funding for scheduled maintenance, special repairs, hazardous substance abatement, architectural barrier removal, certain seismic retrofit projects, water conservation projects and replacement of instructional equipment and library materials. Funds will be allocated based on full time equivalent student enrollment.

- *Proposition 51* – $10 million in Proposition 51 bond funds for initial design activities for six new capital outlay projects, and $40 million in Proposition 51 bond funds for subsequent phases of 15 projects approved in the fiscal year 2017-18.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary, and the LAO's review of, the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end the fiscal year 2018-19 with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10% Under the Governor's new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at \$80.7 billion, reflecting an increase of \$2.8 billion (or 3.6%) from the revised prior-year level. Fiscal year 2019-20 is projected to be a "Test 3" year. Significant features with respect to community college funding include the following:

- *Student Centered Funding Formula* – The Proposed 2019-20 Budget includes certain revisions to the Student Centered Funding Formula, including (i) funding outcomes included in the Student Success Allocation at their current rates, adjusted for inflation in fiscal year 2019-20, and (ii) establishing reasonable limits, capped at 10%, on the year-over-year increases in resources a community college district could receive through the Student Success Allocation. See also "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Student Centered Funding Formula."

- *Enrollment; Apportionments* – An increase of \$26 million in Proposition 98 funding to base allocations to support a growth in enrollment system-wide. The Proposed 2019-20 Budget also provides \$248.3 million to fund a 3.46% COLA to apportionments, and \$18 million to fund a similar COLA for the Adult Education block grant program.

- *California College Promise* – \$40 million of Proposition 98 funding to support a second year of free tuition for certain qualifying students.

- *Pension Costs* – A \$3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining \$2.3 billion would be paid towards employers' long-term unfunded liability.

- *Legal Services* – An increase of \$10 million in Proposition 98 funding to provide legal services to undocumented and immigrant students, faculty and staff on district campuses.

- *Proposition 51* – \$358.7 million in Proposition 51 bond funds for 12 new and 15 continuing projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

Introduction

The District, a community college district and political subdivision of the State, was originally formed in 1920 as Santa Maria Junior College and reorganized in 1963 as Allan Hancock Joint Community College District. The District is located in the northern portion of the County and in portions of San Luis Obispo and Ventura Counties and the Channel Islands. The District encompasses an area that includes the cities of Santa Maria, Orcutt, Guadalupe, Lompoc, Buellton, Solvang, Santa Ynez and Cuyama. The District currently maintains one comprehensive community college in Santa Maria, Allan Hancock College, with satellite centers located in Lompoc, Solvang and Vandenberg Air Force Base. Allan Hancock College is fully accredited by the ACCJC. For fiscal year 2018-19, the District has a projected FTES count of approximately 9,617 students. Taxable property within the District in fiscal year 2018-19 has an assessed valuation of $27,513,278,756.

Administration

The District is governed by a five-member Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

Name	Office	Term Expires
Hilda Zacarías	President	December 2020
Larry Lahr	Vice President	December 2022
Jeffery Hall	Trustee	December 2020
Dan Hilker	Trustee	December 2020
Gregory A. Pensa	Trustee	December 2022

Source: Allan Hancock Joint Community College District.

The Superintendent/President of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Kevin G. Walthers is the District's current Superintendent/President.

Brief biographies of the Superintendent/President and Associate Superintendent/Vice President Finance and Administration follow:

Dr. Kevin G. Walthers, Superintendent/President. Dr. Walthers began his tenure as the Superintendent/President of the District on July 8, 2013. Immediately prior to joining the District, Dr. Walthers served as the President of Las Positas College. Prior thereto, Dr. Walthers served in executive roles with the Utah State Board of Regents and the College of Eastern Utah, and served as the Vice Chancellor for Administration with the West Virginia Community and Technical College System and the West Virginia Higher Education Policy Commission. Dr. Walthers has taught at all levels of higher education and continues to lecture on leadership, management and social justice issues. Dr. Walthers earned a doctorate from the University of Utah in Educational Leadership and Policy, a master's degree in Educational Administration from Texas A&M University – Commerce, and a bachelor's degree in Education from the University of Texas at Austin.

Eric D. Smith, Associate Superintendent/Vice President of Administration and Finance. Mr. Smith joined the District in November of 2018 after a distinguished school business career in K-12 Education. Immediately prior to joining the District, Mr. Smith served as staff for the State's Fiscal Crisis and Management Assistance Team ("FCMAT"). Prior to his six and half year tenure with FCMAT. Mr. Smith served as the Deputy Superintendent and Chief Business Official for the Santa Barbara Unified School District, the Berkeley Unified School District and the San Luis Obispo County Office of Education. Mr. Smith served as the State President of the California Association of School Business Officials in 2008-09. Mr. Smith received a Master's of Public Administration from California State University, Stanislaus and a Bachelor of Arts Degree in Political Science from California Polytechnic State University, Pomona.Labor Relations

Labor Relations

District employees, except management and some part-time employees, are represented by three bargaining units as shown in the following table.

BARGAINING UNITS
Allan Hancock Joint Community College District

Bargaining Unit	Number of Employees in Bargaining Unit	Contract Expiration Date
California School Employees Association	261	6/30/2020
Faculty Association	165	6/30/2021
California Federation of Teachers/Part-time Faculty	735	6/30/2020

Source: Allan Hancock Joint Community College District.

Retirement Programs

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

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

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

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

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

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were $1,584,311 for fiscal year 2014-15, $1,967,612 for fiscal year 2015-16, $2,423,719 for fiscal year 2016-17 and $2,837,760 for fiscal year 2017-18. The District has budgeted its contribution to STRS to be $4,947,860 for fiscal year 2018-19.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18 and will be 7% in fiscal year 2018-19. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $1,635,480 for fiscal year 2014-15, $1,594,311 for fiscal year 2015-16, $1,970,753 for fiscal year 2016-17 and $2,356,517 for fiscal year 2017-18. The District has budgeted its contribution to PERS to be $3,064,261 for fiscal year 2018-19.

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

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

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FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2010-11 through 2016-17

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--(4)	--(4)
2014-15	73,325	56,814	16,511	--(4)	--(4)
2015-16	77,544	55,785	21,759	--(4)	--(4)
2016-17	84,416	60,865	23,551	--(4)	--(4)

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by $10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

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

The Schools Pool Actuarial Valuation as of June 30, 2017, reported that, based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.7%, with annual increases thereafter, resulting in a projected 25.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

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

As of June 30, 2018, the District's proportionate shares of the STRS and PERS net pension liabilities were $34,975,009 and $26,558,153, respectively. For more information, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

Post-Employment Health Care Benefits

Benefits Plan. The District provides medical, dental (self-pay only) and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements (the "Benefits") under an agent multiple-employer defined benefits plan. The eligibility requirement for employees participating in PERS is a minimum age of 55 and includes minimum continuous service requirements for retirement that range from 10 to 20 years and vary by employee class. The eligibility requirement for employees participating in STRS is a minimum age ranging from 50 to 60. In addition, the District also has minimum continuous service requirements for retirement that range from 10 to 25 years and vary by employee class. Additional age and service criteria may be required.

Funding Policy. The District recognizes expenditures for retiree Benefits on a pay-as-you-go-basis to cover the cost of Benefits for current retirees. For fiscal year 2016-17, the District contributed $486,076 for the Benefits. For fiscal year 2017-18, the District made a contribution of $153,168 for the

Benefits, all of which was used for current premiums. For fiscal year 2018-19, the District has budgeted a contribution of $151,000 for the Benefits.

The District has established a special reserve fund (the "Special Reserve Fund") to collect .52% of covered payroll and fund its costs with respect to the Benefits of currently active employees ("Service Costs"), who meet the criteria established in the Board Retirement Benefit Policy. The Special Reserve Fund currently has a balance of $1,043,879. The Special Reserve Fund, however, has not been irrevocably pledged to the payment of the Benefits, and may be accessed for other purposes upon Board action.

The District has established an irrevocable trust (the "Trust"), pursuant to the January 20, 2015 Board meeting, to fund Service Costs. The balance in the Trust as of June 30, 2018 was $ 9,114,689. An actuarial report prepared in accordance with recently enacted Governmental Accounting Standards Board Statements 74 and 75 was prepared as of June 30, 2017 and indicates that the accrued past liabilities are fully funded. The District currently transfers $151,000 annually from the Special Reserve Fund to the Trust to fund Service Costs.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 (each, "GASB 74" and "GASB 75") with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the Net OPEB Liability and a sensitivity analysis of the Net OPEB Liability to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District's financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. Determined by an actuarial valuation date as of June 30, 2017, the District reported a Total OPEB Liability of $7,764,883, a Fiduciary Net Position of $8,998,203 and a Net OPEB Liability of $(1,233,320). See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10" attached hereto.

Risk Management

The District is a member of the following JPAs: the Bay Area Community College Districts JPA ("BACCD"), Statewide Association of Community Colleges ("SWACC"), Self-Insured Schools of California ("SISC III"), and Santa Barbara County Schools Self-Insurance Program for Employees ("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. In fiscal year 2017-18, the District made payments of $261,652, $6,108,991, and $823,927 to BACCD, SISC III, and SIPE, respectively. The District estimates payments of 272,322, $5,931,448, and $484,365 to BACCD, SISC III, and SIPE, respectively in fiscal year 2018-19. The District does not make direct payments to SWACC.

Allan Hancock College Foundation

The Allan Hancock College Foundation (the "Foundation") is a not-for-profit public benefit corporation organized under Section 501(c)(3) of the Code. 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. Under GASB rules, the Foundation is a component unit of the District for financial reporting purposes. As of June 30, 2018 the Foundation had net assets valued at $26,127,294. The following table shows contributions to the Foundation from fiscal years 2013-14 through 2017-18, and a projected contribution amount for fiscal year 2018-19. The Foundation contributions are deposited into the Foundation Agency Fund.

FOUNDATION CONTRIBUTIONS
Fiscal Years 2013-14 through 2018-19
Allan Hancock Joint Community College District

Fiscal Year	Foundation Contributions
2013-14	$4,215,394
2014-15	1,392,597
2015-16	1,753,134
2016-17	1,161,499
2017-18	2,422,090
2018-19[1]	1,505,000

[1] Projected.
Source: Allan Hancock Joint Community College District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. GASB has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on May 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between $10 million and $100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

General Fund Budgeting

The table on the following page shows the District's general fund budgets for fiscal years 2014-15 through 2018-19, unaudited ending results for fiscal years 2014-15 through 2017-18 and estimated actual results for fiscal year 2018-19. For further information, see also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

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GENERAL FUND BUDGETING
Fiscal Years 2014-15 through 2018-19
Allan Hancock Joint Community College District

	Fiscal Year 2014-15[1]		Fiscal Year 2015-16[1]		Fiscal Year 2016-17[1]		Fiscal Year 2017-18[1]		Fiscal Year 2018-19	
REVENUES:	**Budgeted**	**Ending**	**Budgeted**	**Ending**	**Budgeted**	**Ending**	**Budgeted**	**Ending**	**Budgeted[1]**	**Estimated Actuals[2]**
Federal Revenues	$3,057,269	$2,792,482	$3,353,612	$2,556,723	$2,121,798	$2,343,709	$2,593,111	$1,946,343	$1,816,084	$2,553,432
State Revenues	39,957,880	42,021,766	49,712,501	50,977,386	49,214,303	51,904,110	54,875,124	54,673,643	55,612,325	57,256,156
Local Revenues	18,601,232	18,932,902	18,733,407	21,500,706	21,914,797	23,168,615	22,341,627	24,909,110	24,589,332	24,648,771
Total Revenues	61,616,381	63,747,150	71,799,520	75,034,815	73,250,898	77,416,434	79,809,862	81,529,096	82,017,741	84,458,359
EXPENDITURES:										
Academic Salaries	23,211,746	24,140,598	25,093,804	25,258,314	26,799,264	25,908,343	26,575,922	26,529,223	27,790,000	27,869,091
Classified Salaries	13,580,220	14,782,844	15,941,555	16,076,203	17,195,239	17,440,364	19,225,225	19,058,365	20,530,761	20,968,629
Employee Benefits	10,515,852	10,569,100	11,704,739	12,367,089	13,433,836	13,236,951	14,050,266	13,838,733	15,368,117	15,612,943
Supplies and Materials	1,967,417	1,645,741	2,153,080	2,142,387	2,406,953	2,596,657	3,115,005	2,445,778	3,333,223	3,627,723
Other Operating Expenses and Services	7,184,120	6,941,960	7,485,684	7,885,629	8,781,361	10,223,133	11,878,379	11,481,249	11,453,575	12,954,620
Capital Outlay	1,633,071	1,973,835	1,146,013	2,256,821	2,101,910	2,652,363	2,199,807	2,579,536	2,044,362	2,739,073
Total Expenditures	58,092,426	60,054,078	63,524,875	65,986,443	70,718,563	72,057,811	77,044,604	75,932,884	80,520,038	83,772,079
Excess /(Deficiency) of Revenues over Expenditures	3,523,955	3,693,072	8,274,645	9,048,372	2,532,335	5,358,623	2,765,258	5,596,212	1,497,703	686,280
Other Financing Sources	20,023	884,572	787,982	7,083,706	1,235,484	213,932	77,903	407,373	289,657	496,369
Other Outgo	1,897,903	3,580,280	2,938,933	7,925,941	3,616,956	3,143,473	2,637,201	4,406,139	2,729,624	2,890,726
Net Increase/(Decrease) in Fund Balance	1,646,075	997,364	6,123,694	8,206,137	150,863	2,429,082	205,960	1,597,446	(942,264)	(1,708,077)
Beginning Fund Balance:	12,401,518	12,401,518	13,398,879	13,398,879	21,505,017	21,505,017	23,934,099	23,934,099	25,531,545	25,531,545
Net Beginning Balance, July 1	--	--	--	(99,999)	--	--	--	--	--	--
Adjustments	--	12,401,515	--	13,298,880	--	--	--	--	--	--
Ending Fund Balance, June 30	$14,047,593	$13,398,879	$19,522,573	$21,505,017	$21,655,880	$23,934,099	$24,140,059	$25,531,545	$24,589,281	$23,823,468

(1) Budgeted and ending results for fiscal years 2014-15 through 2017-18, and budgeted figures for fiscal year 2018-19, from the District's CCFS-311 Reports filed with the California Community Colleges Chancellor's Office. For audited statements of total revenues, expenditures and changes in fund balances for the District's governmental funds for fiscal years 2013-14 through 2015-16, see "ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT – Comparative Financial Statements."

(2) Estimated actual results for fiscal year 2018-19 from the District's Quarterly Financial Status Report, CCFS-311Q, adopted Feb 12, 2019.

Source: Allan Hancock Joint Community College District.

Comparative Financial Statements

The following table reflects the District's audited revenues, expenditures and changes in net assets from fiscal years 2013-14 through 2017-18.

STATEMENT OF TOTAL REVENUES AND EXPENDITURES
AND CHANGES IN NET POSITION
Fiscal Years 2013-14 through 2017-18
Allan Hancock Joint Community College District

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17[1]	Fiscal Year 2017-18
Operating revenues:					
Student Tuition and Fees	$11,242,478	$11,078,808	$9,347,503	$10,062,531	$10,825,109
Less: Scholarship discount and allowance	(6,680,672)	(6,757,466)	(4,759,907)	(5,538,177)	(6,408,582)
Net tuition and fees	4,561,806	4,321,342	4,587,596	4,524,354	4,416,527
Grants and contracts, noncapital:					
Federal	13,815,205	15,670,677	14,126,712	2,626,281	2,312,539
State	4,929,715	7,597,243	11,011,770	13,757,479	14,571,268
Local	1,821,409	2,206,211	1,733,455	184,696	488,378
Auxiliary Enterprise Sales and Charges	4,609,178	2,316,508	2,282,275	--	--
Total operating revenues	29,737,313	32,111,981	33,741,808	21,092,810	21,788,712
Operating expenses:					
Salaries	38,398,208	41,571,547	44,215,207	45,458,326	48,043,171
Employee benefits	10,977,729	12,042,241	12,058,422	13,573,862	14,948,457
Supplies, materials and other operating expenses and services	11,281,476	13,358,713	14,752,833	17,858,832	19,738,917
Student Financial Aid	11,640,977	13,664,280	12,761,547	12,414,706	13,487,905
Utilities (Equipment, Maintenance and Repairs)	2,018,148	1,758,422	1,961,205	1,661,217	--
Depreciation	3,829,021	4,877,281	5,715,265	5,830,112	6,338,226
Total operating expenses	78,145,559	87,272,484	91,464,479	95,135,838	102,556,676
Operating Income (Loss)	(48,408,246)	(55,160,503)	(57,722,671)	(74,043,028)	(80,767,964)
Nonoperating revenues and expenses:					
State apportionments, noncapital	31,966,488	34,502,020	34,071,697	35,695,935	38,167,922
Local property taxes	18,184,712	19,382,265	21,950,056	23,188,797	25,093,962
State taxes and other revenues	1,958,975	2,379,709	7,443,859	3,024,957	3,422,612
Financial aid grants, noncapital	--	--	--	12,067,736	13,075,817
Interest income, capital	99,867	17,005	23,668	38,260	264,304
Interest income, noncapital	47,680	152,048	173,695	290,318	615,243
Interest expense, capital	(4,488,941)	(9,149,417)	(6,423,954)	(6,512,615)	(6,742,825)
Transfers between other agencies	(105,877)	(214,394)	(167,563)	(182,047)	(173,213)
Other nonoperating revenues	525,840	2,180,462	1,519,369	4,649,033	3,616,435
Total nonoperating revenues and expenses	48,188,744	49,249,698	58,590,827	72,260,374	77,340,257
Income before other revenues	(219,502)	(5,910,805)	868,156	(1,782,654)	(3,427,707)
Other revenues					
State revenues	2,679,002	1,359,368	967,823	1,237,889	1,597,169
Local revenues	(10,359)	477,266	981,401	111,920	695,879
Loss on disposal of capital assets	--	--	--	(2,442)	(38,415)
Total other revenues	2,668,643	1,836,634	1,949,224	1,347,367	2,254,633
Change in net position	2,449,141	(4,074,171)	2,817,380	(435,287)	(1,173,074)
Net assets, beginning of year	110,791,199	113,240,340[1]	65,298,935	68,116,315	58,315,864
Prior year restatement	--	(43,867,234)	--	--	--
Net assets, beginning of year, restated	--	69,373,106	--	--	--
Net assets, end of year	$113,240,340	$65,298,935	$68,116,315	$67,681,028	$57,142,790

(1) Figures represented as Change in Net Position in fiscal year 2017-18 audited financial statement. For more information, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

Source: Allan Hancock Joint Community College District.

District Debt Structure

Long-Term Debt. A schedule of the District's general long-term debt as of June 30, 2018, is shown below:

	Beginning July 1, 2017	Additions	Deductions	Balance June 30, 2018
General Obligation Bonds				
2006A Bonds[(1)]	$4,475,000	--	$4,475,000	--
2009B and B-1 Bonds[(2)]	26,510,000	--	885,000	25,625,000
2012C Bonds	47,757,841	$2,258,572	7,504,661	42,511,752
2013D bonds	7,183,000	232,486	50,000	7,365,486
2014 Refunding Bonds	51,560,000	--	1,195,000	50,365,000
2017A Refunding Bonds	--	13,515,000	--	13,515,000
2017B Refunding Bonds	--	24,275,000	--	24,275,000
Bond Premiums	8,464,251	3,551,952	834,944	11,181,259
Capital Leases	98,450	123,703	30,968	191,185
Compensated Absences – Net	1,128,921		56,890	1,072,031
Net OPEB Liability	201,047	892,244	1,093,291	--
Aggregate Net Pension Obligation	54,149,345	7,383,817	--	61,533,162
Total	$201,527,855	$52,232,774	$16,125,754	$237,634,875

(1) 2006A Bonds were redeemed on December 18, 2017, and are no longer outstanding.
(1) 2009B Bonds to be redeemed on August 1, 2019 with proceeds from the sale of the 2017A Refunding Bonds.
Source: Allan Hancock Joint Community College District.

General Obligation Bonds. At an election held on June 6, 2006, the voters of the District authorized the issuance of $180,000,000.00 of general obligation bonds (the "Authorization"). On September 28, 2006 the District caused the issuance of the 2006 Series A Bonds ("2006A Bonds") in the aggregate principal amount of $68,000,000.00, the first series of bonds pursuant to the Authorization. On October 29, 2009, the District concurrently caused the issuance of its 2006 Series B Bonds ("2009B Bonds") in the aggregate principal amount of $4,374,556.30 and its 2006 Series B-1 Bonds ("2009B-1 Bonds") in the aggregate principal amount of $25,625,000.00, the second and third series of bonds pursuant to the Authorization, respectively. On September 13, 2012, the District caused the issuance of its 2006 Series C Bonds ("2012C Bonds") in the aggregate principal amount of $38,996,199.80, the fourth series of bonds pursuant to the Authorization. On December 10, 2013, the District caused the issuance of its Election of 2006 General Obligation Bonds, Series D (the "2013D Bonds") in the aggregate principal amount of $8,773,376.40, the fifth series of bonds pursuant to the Authorization. The District has also previously issued general obligation refunding bonds to refund portions of its bonded indebtedness in 2014 (the "2014 Refunding Bonds"). In addition, the District sold a second series of refunding bonds, its 2017 General Obligation Refunding Bonds, Series B (2019 Crossover) ("2017B Refunding Bonds") on October 31, 2017 at a par amount of $24,275,000.00 to refund the outstanding 2009B-1 Bonds, and $13,515,000.00 of 2017 General Obligation Refunding Bonds, Series A ("2017A Refunding Bonds") on November 30, 2017. After the issuance of the Bonds, $11,230,867.40* of the Authorization will remain unissued.

The table on the following page shows the annual debt service requirements for all the District's outstanding general obligation bonded debt, assuming no optional redemptions are made.

* Preliminary, subject to change.

GENERAL OBLIGATION BONDS ANNUAL DEBT SERVICE
Allan Hancock Joint Community College District

Year Ending August 1	2009B-1 Bonds[(1)]	2012C Bonds[(2)]	2013D Bonds	2014 Refunding Bonds	2017A Refunding Bonds	2017B Refunding Bonds[(3)]	The Bonds	Total Annual Debt Service
2019	$1,838,785.00	--	$200,200.00	$4,097,212.50	$524,925.00	$968,450.00		
2020	1,838,785.00	--	197,800.00	4,338,212.50	524,925.00	968,450.00		
2021	1,838,785.00	--	195,400.00	4,591,812.50	524,925.00	968,450.00		
2022	1,838,785.00	--	199,050.00	4,853,312.50	524,925.00	968,450.00		
2023	2,008,785.00	--	192,425.00	5,125,812.50	524,925.00	1,258,450.00		
2024	1,996,749.00	--	190,625.00	5,417,812.50	524,925.00	1,251,850.00		
2025	1,979,713.00	--	188,675.00	5,722,312.50	524,925.00	1,240,050.00		
2026	1,968,031.00	--	181,575.00	6,037,562.50	524,925.00	1,233,250.00		
2027	1,946,349.00	--	179,512.50	6,366,812.50	524,925.00	1,211,250.00		
2028	1,920,375.00	--	172,312.50	6,728,062.50	524,925.00	909,650.00		
2029	1,895,463.00	--	165,312.50	7,093,312.50	524,925.00	909,650.00		
2030	1,861,613.00	--	163,512.50	7,478,250.00	524,925.00	909,650.00		
2031	8,519,433.00	$1,313,280.00	258,512.50	--	524,925.00	7,409,650.00		
2032	9,343,706.00	1,313,280.00	483,512.50	--	524,925.00	8,339,650.00		
2033	9,498,921.00	1,313,280.00	573,512.50	--	524,925.00	8,702,050.00		
2034	841,363.00	8,801,838.50	1,993,512.50	--	524,925.00	262,650.00		
2035	--	4,766,838.50	2,233,512.50	--	3,139,925.00	--		
2036	--	4,766,838.50	2,323,512.50	--	3,536,475.00	--		
2037	--	4,766,838.50	2,413,512.50	--	3,942,875.00	--		
2038	--	4,766,838.50	2,513,512.50	--	4,368,075.00	--		
2039	--	11,521,838.50	2,613,512.50	--	--	--		
2040	--	11,981,838.50	--	--	--	--		
2041	--	12,462,228.50	--	--	--	--		
2042	--	12,960,638.50	--	--	--	--		
2043	--	13,478,558.50	--	--	--	--		
2044	--	14,019,176.00	--	--	--	--		
2045	--	14,579,240.00	--	--	--	--		
2046	--	15,160,720.00	--	--	--	--		
2047	--	15,766,080.00	--	--	--	--		
Total	$51,135,641.00	$153,739,351.00	$17,633,012.50	$67,850,487.50	$23,386,150.00	$37,511,600.00		

(1) Reflects gross debt service on the 2009B-1 Bonds, which were designated as "Build America Bonds" pursuant to an irrevocable election by the District to have Sections 54AA and Section 54AA(g) of the Internal Revenue Code of 1986 apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each semi-annual interest payment date (the "Subsidy Payments"). The Subsidy Payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 6.2% through the end of the current federal fiscal year (September 30, 2019). In the absence of action by the U.S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the Counties are empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on the 2009B-1 Bonds. The Counties will deposit any cash Subsidy Payments received into the debt service fund for the 2009B-1 Bonds.

(2) A portion of the 2012C Bonds, maturing in years 2035 through 2038 (the "Refunded Bonds") to be redeemed on August 1, 2022 with proceeds from the 2017A Refunding Bonds. Debt service on the Refunded Bonds is excluded from the table.

(3) Interest on the 2017B Refunding Bonds, prior to August 1, 2019, is payable from amounts on deposit in the 2009B Escrow Subaccount. From and after August 1, 2019, such interest shall be payable from *ad valorem* property taxes levied and collected by the Counties on taxable property within the boundaries of the District. 2009B-1 Bonds to be defeased on August 1, 2019 from proceeds of the sale of the 2017B Refunding Bonds.

Source: Allan Hancock Joint Community College District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

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

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

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

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

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix A.

LIMITATION ON REMEDIES; BANKRUPTCY

General

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

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

Special Revenues

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

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the Treasury Pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX E – SANTA BARBARA COUNTY INVESTMENT POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

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

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

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

Current Undertakings. In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for fiscal year 2018-19, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has failed to file in a timely manner the annual report required in connection with the 2006 Series C Bonds for fiscal year 2012-13. Such annual report has since been filed for such year. Within the past five years, the District has also failed to timely file certain notices of listed events, as required by its existing continuing disclosure certificates. In connection with the annual report described above, the District has since filed a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure certificate.

Absence of Material Litigation

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

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Code, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. A copy of the proposed form of such legal opinion for the Bonds is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of "Aa2" and "AA" by Moody's and S&P, respectively.

The ratings reflect only the view of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

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

Financial Statements

The District's audited financial statements with required supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, the related statements of activities and of cash flows for the year then ended, and the report dated November 29, 2018 of Vavrinek Trine Day & Co. LLP (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

Morgan Stanley & Co. LLC (the "Underwriter") has agreed to purchase all of the Bonds for a purchase price of $_____________ (consisting of the principal amount of the Bonds of $_____________, plus original issue premium of $_____________, and less an Underwriter' discount of $_____________).

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

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

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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ADDITIONAL INFORMATION

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

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

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

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

By: ____
Dr. Kevin G. Walthers
Superintendent/President

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form.

____________, 2019

Governing Board
Allan Hancock Joint Community College District

Members of the Governing Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $______________ Allan Hancock Joint Community College District (Santa Barbara, San Luis Obispo and Ventura Counties, California) Election of 2006 General Obligation Bonds, Series E (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the Allan Hancock Joint Community College District (the "District") voting at an election held on June 6, 2006, and a resolution of the Board of Trustees of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will

accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6 The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

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

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX B

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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ALLAN HANCOCK JOINT
COMMUNITY COLLEGE
DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2018

FINANCIAL SECTION

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

VALUE THE difference

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.

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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.

Vavrinek, Trine, Day & Co. LLP

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.

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.

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
ASSETS			
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	87,080,904	57,019,023	30,061,881
Net Other Postemployment Benefits (OPEB) Asset	1,233,320	-	1,233,320
Capital Assets (Net)	201,463,992	204,708,008	(3,244,016)
Total Assets	289,778,216	261,727,031	28,051,185
DEFERRED OUTFLOWS OF RESOURCES			
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	24,378,391	17,087,687	7,290,704
LIABILITIES			
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	1,896,040	1,863,078	32,962
Total Current Liabilities	15,549,850	16,182,895	(633,045)
Long-Term Obligations	235,738,835	199,664,777	36,074,058
Total Liabilities	251,288,685	215,847,672	35,441,013
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	5,725,132	4,651,182	1,073,950
NET POSITION			
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	(43,374,054)	(43,885,863)	511,809
Total Net Position	$ 57,142,790	$ 58,315,864	$ (1,173,074)

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).

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	21,788,712	21,092,810	695,902
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	102,556,676	95,135,838	7,420,838
Loss on Operations	(80,767,964)	(74,043,028)	(6,724,936)
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	77,340,257	72,260,374	5,079,883
Other Revenues and Losses			
State, local capital income and losses, net	2,254,633	1,347,367	907,266
Net Change in Net Position	$ (1,173,074)	$ (435,287)	$ (737,787)

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	$ 82,901,639	$ 47,484,692	$ 35,416,947

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.

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.

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

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.

	2018	(as restated) 2017
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	61,533,162	54,149,345
Total Long-Term Obligations	$ 237,634,875	$ 201,527,855

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
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

OPERATING REVENUES	
Student Tuition and Fees	$ 10,825,109
Less: Scholarship discount and allowance	(6,408,582)
Net tuition and fees	4,416,527
Grants and Contracts, Noncapital	
Federal	2,312,539
State	14,571,268
Local	488,378
Total grants and contracts, noncapital	17,372,185
TOTAL OPERATING REVENUES	21,788,712
OPERATING EXPENSES	
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
TOTAL OPERATING EXPENSES	102,556,676
OPERATING LOSS	(80,767,964)
NONOPERATING REVENUES (EXPENSES)	
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
TOTAL NONOPERATING REVENUES (EXPENSES)	77,340,257
LOSS BEFORE OTHER REVENUES AND (LOSSES)	(3,427,707)
OTHER REVENUES AND (LOSSES)	
State revenues, capital	1,597,169
Local revenues, capital	695,879
Loss on disposal of capital assets	(38,415)
TOTAL OTHER REVENUES AND (LOSSES)	2,254,633
CHANGE IN NET POSITION	(1,173,074)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	58,315,864
NET POSITION, END OF YEAR	$ 57,142,790

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

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)
Net Cash Flows From Operating Activities	(71,070,602)
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
Net Cash Flows From Noncapital Financing Activities	82,152,214
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
Net Cash Flows From Capital Financing Activities	23,904,351
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(26,480,208)
Interest received from investments	430,984
Net Cash Flows From Investing Activities	(26,049,224)
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

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (80,767,964)
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	(56,890)
Total Adjustments	9,697,362
Net Cash Flows From Operating Activities	$ (71,070,602)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,192,393
Cash in County Treasury	55,229,038
Total Cash and Cash Equivalents	$ 56,421,431
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 1,314,852

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

	Retiree OPEB Trust	Other Trusts	Agency Funds
ASSETS			
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
Total Assets	9,114,689	1,278,992	$ 213,973
LIABILITIES			
Accounts payable	-	1,775	$ 5,306
Due to primary government	-	2,012	1
Unearned revenue	-	23,257	-
Due to student groups	-	-	208,666
Total Liabilities	-	27,044	$ 213,973
NET POSITION			
Restricted for postemployment benefits other than pensions	9,114,689	-	
Unrestricted	-	1,251,948	
Total Net Position	$ 9,114,689	$ 1,251,948	

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

	Retiree OPEB Trust	Other Trusts
ADDITIONS		
District Contributions	$ 153,168	$ -
Interest and investment income	346,532	-
Net realized and unrealized gain	169,688	-
Local revenues	-	305,350
TOTAL ADDITIONS	669,388	305,350
DEDUCTIONS		
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
TOTAL DEDUCTIONS	552,902	353,092
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	173,213
Other uses	-	(22,102)
TOTAL OTHER FINANCING SOURCES (USES)	-	151,111
CHANGE IN NET POSITION	116,486	103,369
NET POSITION - BEGINNING OF YEAR	8,998,203	1,148,579
NET POSITION - END OF YEAR	$ 9,114,689	$ 1,251,948

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

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.

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
ASSETS			
Current assets	$ 921,782	$ 64,646	$ 986,428
LIABILITIES			
Current liabilities	511,503	400	511,903
NET POSITION			
Restricted	410,279	64,246	474,525
Total Net Position	$ 410,279	$ 64,246	$ 474,525

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

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

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.

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.

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.

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.

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.

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.

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*.

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;

- 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.

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.

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.

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	$ 93,366,388

Cash on hand and in banks	$ 2,320,753
Cash in revolving	55,450
Investments	90,990,185
Total Deposits and Investments	$ 93,366,388

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:

Investment Type	Book Value	Fair Value	Weighted Average Maturity in Days
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	$ 90,990,185	$ 90,610,413	

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.

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:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
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	$ 90,610,413	$ 35,594,897	$ 55,015,516

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

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:

	Primary Government	Fiduciary Funds
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	$ 3,130,548	$ 847
Student receivables	$ 789,349	$ 55,820

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	53,961,055	2,296,298	46,217,154	10,040,199
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	202,568,534	47,053,481	178,949	249,443,066
Total Capital Assets	256,529,589	49,349,779	46,396,103	259,483,265
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	51,821,581	6,338,226	140,534	58,019,273
Net Capital Assets	$ 204,708,008	$ 43,011,553	$ 46,255,569	$ 201,463,992

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

NOTE 7 - ACCOUNTS PAYABLE

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

	Primary Government	Fiduciary Funds
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	$ 3,357,653	$ 7,081

NOTE 8 - UNEARNED REVENUE

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

	Primary Government	Fiduciary Funds
Federal financial assistance	$ 17,497	$ -
State categorical aid	5,110,193	-
Enrollment fees	2,106,439	23,257
Other local	599,855	-
Total	$ 7,833,984	$ 23,257

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.

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 July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
Bonds Payable					
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	-
Total Bonds Payable	145,950,092	43,833,010	14,944,605	174,838,497	1,500,000
Other Liabilities					
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	-
Total Other Liabilities	55,577,763	8,399,764	1,181,149	62,796,378	396,040
Total Long-Term Obligations	$ 201,527,855	$ 52,232,774	$ 16,125,754	$ 237,634,875	$ 1,896,040

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.

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
				$ 137,485,841	$ 37,790,000	$ 2,491,058	$ 14,109,661	$ 163,657,238

The Series B bonds mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	$ 25,625,000	$ 26,430,034	$ 52,055,034

The Series C bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
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	$ 42,511,752	$ 54,533,248	$ 56,694,351	$ 153,739,351

The Series D bonds mature through 2040 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
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	$ 7,365,486	$ 7,704,514	$ 2,689,213	$ 17,759,213

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

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	37,717
Balance, June 30, 2018	$ 218,570

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	17,778
Total	218,570
Less: Amount Representing Interest	27,385
Present Value of Minimum Lease Payments	$ 191,185

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	37,521
Total	$ 243,985

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.

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
	364

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.

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, expect 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:

Asset Class	Target Allocation
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-weighed 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	$ (1,233,320)
Plan fiduciary net position as a percentage of the total OPEB liability	116%

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:

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

Discount Rate

The discount rate used to measure the total OPEB liability was 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 lability.

Changes in the Net OPEB Liability/(Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (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	331,886	1,766,253	(1,434,367)
Balance at June 30, 2017	$ 7,764,883	$ 8,998,203	$ (1,233,320)

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)

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:

Healthcare Cost Trend Rates	Net OPEB (Asset)
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.

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.

Insurance Program / Company Name	Type of Coverage	Limits
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:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
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	$ 61,533,162	$ 18,814,296	$ 5,725,132	$ 7,916,572

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.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	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	$ 55,665,929

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.

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	$ 10,508,799	$ 5,273,855

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	$ (931,482)

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	$ 3,328,666

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.

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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 51,354,416
Current discount rate (7.10%)	34,975,009
1% increase (8.10%)	21,682,009

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	On or after
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%

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	$ 8,305,497	$ 451,277

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	$ (24,895)
2020	1,060,015
2021	386,706
2022	(503,095)
Total	$ 918,731

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	$ 4,578,972

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.

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

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.

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	$ 163,959

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	$ 2,431,020

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

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Fine Arts Complex	$ 2,174,325	2021-2022
Proposition 39 LVC Solar Project	798,107	2018-2019
	$ 2,972,432	

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

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
Total	$ 48,043,171	$ 14,948,457	$ 33,226,822	$ 6,338,226	$ 102,556,676

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	(9,365,164)
Net Position - Beginning, as restated	$ 58,315,864

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

See accompanying note to required supplementary information.

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Annual money-weighted rate of return, net of investment expense	9.71%

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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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

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

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

See accompanying note to required supplementary information.

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

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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

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

See accompanying note to required supplementary information.

	2016	2015
	$ 1,967,612	$ 1,584,311
	1,967,612	1,584,311
	$ -	$ -
	$ 18,337,484	$ 17,841,340
	10.73%	8.88%
	$ 1,594,311	$ 1,635,480
	1,594,311	1,635,480
	$ -	$ -
	$ 13,457,508	$ 13,894,147
	11.847%	11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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.

SUPPLEMENTARY INFORMATION

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2018

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

MEMBER	OFFICE	TERM EXPIRES
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
U.S. DEPARTMENT OF EDUCATION				
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			11,254,839	-
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	-
Total U.S. Department of Education			12,550,301	-
U.S. DEPARTMENT OF AGRICULTURE				
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	-
Total U.S. Department of Agriculture			59,561	-
Research and Development Cluster				
NATIONAL SCIENCE FOUNDATION				
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	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through National Institutes of Health				
AHC-CPSU Bridges to the Baccalaureate Partnership Program	93.859	5R25GM086299-09	213,648	48,706
Total Research and Development Cluster			461,298	48,706

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

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
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
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	-
Total U.S. Department of Health and Human Services			231,245	-
U.S. DEPARTMENT OF JUSTICE				
Bulletproof Vest Partnership Program	16.607		416	-
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Veterans Service	64.000		1,722	-
Total Expenditures of Federal Awards			$ 13,304,543	$ 48,706

[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 Revenues				
Program	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	Program Expenditures
Board Financial Assistance Program	$ 409,534	$ -	$ -	$ 409,534	$ 409,534
CalWORKs	359,374	-	-	359,374	359,374
DSS/CalWORKs 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.

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

	Program Revenues				
Program	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	Program Expenditures
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

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit**	99.55	-	99.55
2. Credit	281.87	-	281.87
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit**	1.05	-	1.05
2. Credit	23.90	-	23.90
C. Primary Terms (Exclusive of Summer Intersession)			
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	-	-	-
D. Total FTES	8,553.56	-	8,553.56
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	16.54	-	16.54
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	482.69	-	482.69
2. Credit	371.29	-	371.29
CCFS-320 Addendum			
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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
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
Total Instructional Salaries		17,446,850	-	17,446,850	17,446,850	-	17,446,850
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,682,515	-	4,682,515
Other	1400	-	-	-	475,106	-	475,106
Total Noninstructional Salaries		-	-	-	5,157,621	-	5,157,621
Total Academic Salaries		17,446,850	-	17,446,850	22,604,471	-	22,604,471
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	9,944,172	-	9,944,172
Other	2300	-	-	-	777,333	-	777,333
Total Noninstructional Salaries		-	-	-	10,721,505	-	10,721,505
Instructional Aides							
Regular Status	2200	901,716	-	901,716	937,020	-	937,020
Other	2400	349,917	-	349,917	350,416	-	350,416
Total Instructional Aides		1,251,633	-	1,251,633	1,287,436	-	1,287,436
Total Classified Salaries		1,251,633	-	1,251,633	12,008,941	-	12,008,941
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	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		25,026,938	-	25,026,938	52,417,504	-	52,417,504

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
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
Objects to Exclude							
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
Total Supplies and Materials		-	-	-	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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	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	-	-	-	-	-	-
Total Equipment		-	-	-	15,732	-	15,732
Total Capital Outlay		-	-	-	119,751	-	119,751
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		521,942	-	521,942	3,565,396	-	3,565,396
Total for ECS 84362, 50 Percent Law		$ 24,504,996	$ -	$ 24,504,996	$ 48,852,108	$ -	$ 48,852,108
Percent of CEE (Instructional Salary Cost/Total CEE)		50.16%		50.16%	100.00%		100.00%
50% of Current Expense of Education					$ 24,426,054		$ 24,426,054

See accompanying note to supplementary information.

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

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

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

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 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	208,666	
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	(58,019,273)	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	10,358,765	
Total Deferred Outflows of Resources Related to Pensions		18,814,296

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2018

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	(312,689)	
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:	(11,708,002)	(237,284,979)
Total Net Position		**$ 57,142,790**

See accompanying note to supplementary information.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 20182018

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		$ 13,304,543

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 20182018

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.

INDEPENDENT AUDITOR'S REPORTS

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

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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.

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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.

Vavrinek, Trine, Day & Co. LLP.

Rancho Cucamonga, California
November 29, 2018

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

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.

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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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 29, 2018

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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Allan Hancock Joint Community College District's (the District) compliance with the types of compliance requirements as identified in the 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.

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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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 29, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

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

None reported.

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

None reported.

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

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

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.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Allan Hancock Joint Community College District (the "District") in connection with the issuance of $______________ of the District's Election of 2006 General Obligation Bonds, Series E (the "Bonds"). The Bonds are being issued pursuant to Resolution of the Board of Trustees of the District adopted on February 12, 2019. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially KNN Public Finance, LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement relating to the sale of the Bonds, dated as of _____________, 2019.

"Participating Underwriter" shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(i) State funding received by the District for the last completed fiscal year;

(ii) FTES of the District for the last completed fiscal year;

(iii) Outstanding District indebtedness;

(iv) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting the adopted budget for the then-current fiscal year;

(v) Assessed valuation for real property located in the District for the then-current fiscal year; and

(vi) Top 20 secured taxpayers within District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Holders.

3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Date: ______________, 2019

ALLAN HANCOCK JOINT COMMUNITY
COLLEGE DISTRICT

By____

Associate Superintendent/Vice President of
Administration and Finance

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: Election of 2006 General Obligation Bonds, Series E

Date of Issuance: ______________, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT

By ____[form only; no signature required]_____

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SANTA MARIA, THE CITY OF LOMPOC AND SANTA BARBARA COUNTY, CALIFORNIA

The following information regarding the City of Santa Maria, the City of Lompoc (each a "City", and together, the "Cities") and Santa Barbara County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the County. This material has been prepared by or excerpted from the sources noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the municipal advisor.

General

The City of Santa Maria. The City of Santa Maria was incorporated in 1905 and it is a charter city with a Council–Manager form of government. The City Council consists of a Mayor and four members who are elected at large to staggered four-year terms. Located on the Central Coast of California (the "State"), Santa Maria is adjacent to the City of Lompoc and encompasses approximately 23 square miles. Its key economic revenues are in the form of auto sales, agriculture and tourism. It was named an All-America City in 1998, one of only 10 cities from across the nation to receive the designation that year. It is a designation that exists into perpetuity and recognizes exemplary grassroots community problem solving that achieves results.

The City of Lompoc. The City of Lompoc was incorporated in 1888 and it is a general law city. It has a Council–Manager form of government, with four Council members elected biennially to four-year terms, while the fifth Council member is the Mayor, who is elected for a two-year term. Lompoc encompasses 10.5 square miles, and it is located approximately 10 miles inland of the Pacific Ocean and 150 miles northwest of downtown Los Angeles, in northern Santa Barbara County. Key local economic activities include auto sales and transportation, fuel and service stations, general consumer goods, and restaurants and hotels. Vandenberg Air Force Base and Vandenberg Village/Mission Hills are neighboring areas.

Santa Barbara County. One of the original 27 California counties, Santa Barbara County was incorporated in 1850. Policymaking and legislative authority is vested in the elected supervisors from each of five districts who make up the County Board of Supervisors. Each supervisor serves a four-year staggered term. Located approximately 300 miles south of San Francisco and 100 miles north of Los Angeles, the County's largest employment categories include services, wholesale and retail trade, public administration and manufacturing. Spanning over 2,700 square miles, the County is also a picturesque tourist and recreational area.

Population

The following table shows historical population figures for the Cities, the County and the State of California for the past 10 years.

POPULATION ESTIMATES
2009 through 2018
City of Santa Maria, City of Lompoc,
Santa Barbara County and the State of California

Year[(1)]	City of Santa Maria	City of Lompoc	Santa Barbara County	State of California
2009	98,163	42,385	421,197	36,966,713
2010[(2)]	99,553	42,434	423,895	37,253,956
2011	100,275	42,153	424,400	37,529,913
2012	101,501	43,085	428,194	37,874,977
2013	102,412	43,253	433,073	38,234,391
2014	103,603	43,969	438,512	38,568,628
2015	104,968	44,169	442,987	38,912,464
2016	106,744	44,027	447,073	39,179,627
2017	107,978	43,881	450,025	39,500,973
2018	108,470	43,599	453,457	39,809,693

(1) As of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2009, 2011-18 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Income

The following table shows the per capita personal income for the County, the State of California and the United States for the past 10 years of data that is currently available.

PER CAPITA PERSONAL INCOME
2008 through 2017
Santa Barbara County, the State of California, and the United States

Year	Santa Barbara County	State of California	United States
2008	$45,742	$43,895	$40,904
2009	44,231	42,050	39,284
2010	45,580	43,609	40,545
2011	48,846	46,145	42,727
2012	51,133	48,751	44,582
2013	50,595	49,173	44,826
2014	53,625	52,237	47,025
2015	57,168	55,679	48,940
2016	57,034	57,497	49,831
2017	59,460	59,796	51,640

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2017 reflect county population estimates available as of March, 2018. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Principal Employers

The following tables show the principal employers located in the Cities and the County.

PRINCIPAL EMPLOYERS
2017
City of Santa Maria

Employer	Industry	Number of Employees
Vandenberg AFB	Public Administration: National Security	6,878*
Santa Maria-Bonita School District	Education Services	1,650
Marian Medical Center	Health Services	1,545
C&D Zodiac Aerospace, Inc.	Manufacturing: Aircraft Auxiliary Equipment	1,476
Allan Hancock College	Education Services	1,150
Santa Maria Joint High School District	Education Services	693
Windset Farms	Agricultural Production Crops	667
City of Santa Maria	Public Administration	648
Betteravia Farms	Agricultural Production Crops	450
Wal-Mart (3 locations)	Retail Trade: General Merchandise	420

* Although outside the city limits, Northern Santa Barbara County Economic Outlook considered Vandenberg Air Force Base as a principal employer; whereas the more current survey conducted by the California Economic Forecast excluded employers outside the city limits.
Source: City of Santa Maria Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

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PRINCIPAL EMPLOYERS
2018
City of Lompoc

Employer	Industry	Number of Employees
Vandenberg AFB	Public Administration: National Security	6,878*
Lompoc Unified School District	Educational Services	888
Lompoc Hospital	Health Services	558
U.S. Department of Justice	Public Administration: Justice, Public Order and Safety: Correctional Institutions	547
Den Mat Holdings LLC	Manufacturing: Analyzing, Medical Goods	266
Imerys Filtration Minerals	Mining: Miscellaneous Nonmetallic Minerals	175
Walmart	Retail Trade: General Merchandise	166
Housing Authority, County of Santa Barbara	Public Administration	89
Home Depot	Retail Trade: Building Materials	58
Albertson	Retail Trade: Food Stores	38

*Vandenberg Airforce is located outside of the city limits. Employment numbers are estimated based on the 2010 United States Census.
Source: City of Lompoc Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

PRINCIPAL EMPLOYERS
2018
Santa Barbara County

Employer	Industry	Number of Employees
Vandenberg Air Force Base	National Security	6,386
University of California, Santa Barbara	Educational Services	5,161
County of Santa Barbara	Public Administration	4,026
Santa Barbara Cottage Hospital	Health Services	2,900
Santa Barbara School District Administration	Education	2,588
Santa Barbara City College	Educational Services	2,444
Santa Maria-Bonita School District	Educational Services	1,686
City of Santa Barbara	Government	1,687
Chumash Casino Resort	Services: Casino Hotels	1,622
Raytheon Electronic Systems	Defense Contractor	1,500

Source: County of Santa Barbara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the Cities, the County, the State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2013 through 2017[1]
City of Santa Maria, City of Lompoc, Santa Barbara County, the State of California, and the United States

Year and Area	Labor Force	Employment[2]	Unemployment	Unemployment Rate (%)[3]
2013				
City of Santa Maria	48,300	44,100	4,200	8.7
City of Lompoc	18,100	16,400	1,700	9.3
Santa Barbara County	217,300	201,700	15,400	7.2
State of California	18,625,000	16,958,400	1,666,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Santa Maria	48,400	44,800	3,600	7.4
City of Lompoc	18,100	16,600	1,400	8.0
Santa Barbara County	218,300	205,000	13,300	6.1
State of California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Santa Maria	48,200	45,100	3,100	6.4
City of Lompoc	18,000	16,800	1,200	6.9
Santa Barbara County	217,800	206,300	11,500	5.3
State of California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Santa Maria	47,900	45,000	2,900	6.1
City of Lompoc	17,900	16,700	1,200	6.6
Santa Barbara County	216,100	205,200	10,900	5.1
State of California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Santa Maria	49,500	47,900	1,600	3.3
City of Lompoc	18,100	16,700	1,400	7.7
Santa Barbara County	217,300	201,700	15,700	7.2
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017 Benchmark.

Industry

The County is included in the Santa Maria-Santa Barbara Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the last 5 years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
Santa Barbara County (Santa Maria-Santa Barbara MSA)

Category	2013	2014	2015	2016	2017
Total Farm	19,300	21,000	21,000	20,900	21,500
Total Nonfarm	173,700	176,400	179,500	180,500	182,500
Total Private	135,800	138,100	140,900	142,400	143,700
Goods Producing	20,500	21,000	21,900	22,500	23,300
Mining and Logging	1,200	1,300	1,100	900	900
Construction	7,200	7,400	7,800	8,200	8,400
Manufacturing	12,100	12,300	13,000	13,400	13,100
Durable Goods	8,700	8,700	9,200	9,400	9,200
Service Providing	153,200	155,400	157,600	158,000	160,200
Private Service Providing	115,300	117,100	119,000	119,900	121,300
Trade, Transportation and Utilities	26,700	27,200	27,500	27,200	27,200
Wholesale Trade	4,600	4,600	4,800	4,800	5,100
Retail Trade	18,900	19,300	19,500	19,200	18,900
Transportation, Warehousing and Utilities	3,300	3,300	3,300	3,300	3,300
Information	4,300	4,400	4,700	5,000	5,000
Financial Activities	6,500	6,400	6,400	6,500	6,600
Professional and Business Services	23,300	22,700	22,300	21,500	21,400
Educational and Health Services	24,600	25,100	25,700	26,600	27,500
Leisure and Hospitality	24,400	25,500	26,500	27,100	27,700
Other Services	5,500	5,700	5,900	6,000	6,000
Government	37,900	38,300	38,700	38,100	38,900
Total, All Industries	193,000	197,400	200,500	201,400	204,000

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2017 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2012 through 2016 are shown in the following tables.

ANNUAL TAXABLE SALES
2012 through 2016
City of Santa Maria
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	1,245	$1,151,216	2,060	$1,546,037
2013	1,288	1,210,590	2,092	1,622,366
2014	1,315	1,280,975	2,124	1,655,535
2015	--	1,331,522	--	1,749,176
2016	--	1,365,717	--	1,782,827

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2012 through 2016
City of Lompoc
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	557	$298,441	807	$335,823
2013	590	302,095	832	350,718
2014	603	317,196	841	375,837
2015	--	325,371	--	377,171
2016	--	325,588	--	382,265

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2012 through 2016
Santa Barbara County
(Dollars in Thousands)

	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	7,862	$4,302,083	12,400	$6,051,129
2013	8,244	4,533,338	12,708	6,332,059
2014	8,492	4,733,311	12,989	6,613,353
2015	--	4,804,407	--	6,767,900
2016	--	4,856,924	--	6,861,202

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Construction Activity

The following tables show the annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the Cities and the County.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
City of Santa Maria
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$18,188	$54,875	$79,949	$61,358	$91,426
Non-Residential	49,076	33,356	21,358	40,318	69,625
Total	$67,264	$88,231	$101,307	$101,676	$161,051
Units					
Single Family	66	130	154	193	324
Multiple Family	0	214	278	36	196
Total	66	344	432	229	520

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
City of Lompoc
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$1,854	$9,150	$10,150	$2,900	$1,015
Non-Residential	313	7,758	16,527	4,379	8,433
Total	$2,167	$16,908	$26,677	$7,279	$9,448
Units					
Single Family	7	22	30	3	0
Multiple Family	0	21	0	3	0
Total	7	43	30	6	0

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
Santa Barbara County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$204,288	$290,490	$350,587	$343,379	$441,039
Non-Residential	185,127	183,825	228,961	260,239	258,437
Total	$389,415	$474,315	$579,548	$603,618	$699,476
Units					
Single Family	307	369	377	367	704
Multiple Family	119	552	694	550	609
Total	426	921	1,071	917	1,313

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

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APPENDIX E

SANTA BARBARA COUNTY INVESTMENT POOL

The following information concerning the Santa Barbara County Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector (the "Treasurer") of Santa Barbara County (the "County"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. None of the District, the Municipal Advisor or the Underwriter has made an independent investigation of the investments in the Investment Pool nor have they made an assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer on https://www.countyofsb.org/; however, the information presented on such website is not incorporated herein by any reference.

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County of Santa Barbara
Treasurer's Investment Pool
Performance Report

Quarter Ended December 31, 2018

Harry E. Hagen, CPA, CPFO, ACPFIM, CFIP
Treasurer-Tax Collector

105 E. Anapamu St. Rm 109
Santa Barbara, CA 93101
(805)568-2490
www.countyofsb.org/ttcpapg

Portfolio Composition:

Principal Cost	$1,593,223,753
Market Value	$1,589,330,973
Percentage of Market to Cost Value	99.76%
Weighted Average Days to Maturity (WAM)	321

Return on Assets:

Net Earnings	$5,855,213
Average Daily Balance	$1,398,939,537
Interest Rate	1.661%

History

Quarter Ending	Interest Rate	WAM
3/31/18	1.314%	479
6/30/18	1.476%	448
9/30/18	1.590%	447
12/31/18	1.661%	321

TREASURER'S INVESTMENT POOL
ASSET DISTRIBUTION BY SECTOR (PAR VALUE)
12/31/2018