



**Rio Hondo Community College District
Financial Statements and
Supplementary Information
Year ended June 30, 2013
*with Report of Independent Auditors
Including Reports on Compliance***

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TERESA DREYFUSS
SUPERINTENDENT/PRESIDENT

December 2, 2013

BOARD OF TRUSTEES

ANGELA ACOSTA-SALAZAR

The Board of Trustees
Rio Hondo College District

NORMA EDITH GARCÍA

Dear Board Members:

GARY MENDEZ

I have received and reviewed the Annual Financial Report of the Rio Hondo Community College District for the fiscal year ended June 30, 2013. The report is hereby submitted to you for your acceptance.

VICKY SANTANA

MADELINE SHAPIRO

I am pleased to report that the auditors noted no condition that they believed to be a material weakness in the District's internal control structure. In the Independent Auditors' Report on Internal Accounting Controls sections, the auditors have presented their observations and recommendations regarding certain matters to which the District's attention will be focused.

The District is responsible for the accuracy, completeness, and fairness of the financial statements, including all disclosures. It is our belief that the accompanying annual financial statements of the Rio Hondo Community College District present fairly, in all material respects, the financial position and results of operations of the District as of and for the year ended June 30, 2013. Further, we believe that all informative disclosures have been made to enable the report's readers to gain an understanding of the District's affairs.

Respectfully,

Teresa Dreyfuss
Superintendent / President

REPORT OF INDEPENDENT AUDITORS

The Honorable Board of Trustees Rio Hondo Community College District

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Rio Hondo Community College District (the "District"), as of and for the year ended June 30, 2013, 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 misstatement, 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. 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rio Hondo Community College District as of June 30, 2013, and the results of its operations, changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of postemployment healthcare benefits funding progress 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 basic 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 Rio Hondo Community College District's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not required parts of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the standards identified by the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor's Office, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the Rio Hondo Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Rio Hondo Community College District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vagney & Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California
December 2, 2013**

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Rio Hondo Community College District (the "District") for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The annual report includes three basic financial statements that provide information on the District as a whole:

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

Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

The focus of the Statement of Net Position is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses and Changes in Net Position focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by state and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

ACCOUNTING STANDARDS

The District is reporting according to the standards of Governmental Accounting Standards Board Statements (GASB) No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office, through its Fiscal Accountability Standards Committee, recommended that all community college districts use the reporting standards under the BTA model.

STATEMENT OF NET POSITION

The net position of the District consists of three major categories:

- Net investment in capital assets – the District's equity in property, plant, and equipment.
- Restricted net position –the constraints placed on the use of the assets are externally imposed by creditors such as grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.
- Unrestricted net position – the District can use them for any lawful purpose. Although unrestricted, the District's governing board may place internal restriction on these net assets, but it retains the power to change, remove, or modify those restrictions.

**Rio Hondo Community College District
Management's Discussion and Analysis
June 30, 2013**

STATEMENT OF NET POSITION (continued)

Condensed Statement of Net Position

(in thousands)

	June 30,		
ASSETS	2013	2012	Year-to-year Change
Current assets		(Restated)	
Cash and cash equivalents	\$ 34,740	\$ 28,374	22.4%
Accounts receivable, net	19,140	24,445	-21.7%
other current assets	930	890	4.5%
Total current assets	54,810	53,709	2.0%
Noncurrent assets			
Restricted cash	54,281	66,620	-18.5%
Capital assets, net	207,792	195,743	6.2%
Total noncurrent assets	262,073	262,363	-0.1%
Total assets	316,883	316,072	0.3%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,760	1,824	-3.5%
Total assets and deferred outflows of resources	\$ 318,643	317,896	0.2%
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable and accrued liabilities	\$ 23,594	\$ 25,901	-8.9%
Unearned revenue	4,716	3,023	56.0%
Compensated absences	719	751	-4.3%
Current portion of noncurrent liabilities	3,525	4,611	-23.6%
Total current liabilities	32,554	34,286	-5.1%
Noncurrent liabilities			
Bonds payable, net of current portion	177,575	175,967	0.9%
Unamortized bond premium	3,612	4,602	-21.5%
Postemployment benefits other than pension (OPEB)	11,054	10,287	7.5%
Total noncurrent liabilities	192,241	190,856	0.7%
Total liabilities	224,795	225,142	-0.2%
Net position			
Net investment in capital assets	72,235	71,078	1.6%
Restricted for:			
Debt service	6,614	8,582	-22.9%
Other special services	726	540	34.4%
Unrestricted	14,273	12,554	13.7%
Total net position	93,848	92,754	1.2%
Total liabilities and net position	\$ 318,643	\$ 317,896	0.2%

STATEMENT OF NET POSITION (continued)

This schedule has been prepared from the District's statement of net position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Measure A is a facilities and equipment bond measure for the District adopted by the Board of Trustees and passed by voters on March, 2004. The District was authorized by Measure A to issue \$245,581,122 general obligation bonds (the "Series A Bonds"). On June 3, 2004 the first series of the Series A Bonds was issued in the amount of \$58,000,000. These bonds are financed over 25 years with principal and interest payments due each February 1 and August 1 beginning February 1, 2005.

On September 26, 2005, the District's Board of Trustees adopted a resolution to issue general obligation refunding bonds (the "Refunding Bonds") to finance the advance refunding of a portion of the District's outstanding Series A Bonds starting August 1, 2015. On November 3, 2005, bonds in the amount of \$47,117,244 were issued which consisted of current interest bonds of \$43,750,000 and capital appreciation bonds of \$3,367,244.

Concurrent with the issuance of the Refunding Bonds, the District deposited part of the proceeds in the amount of \$46,371,376 from the Refunding Bonds into an escrow fund securing the respective maturities of the Series A Bonds. The remaining portion in the amount of \$4,732,103 for series A and the proceeds of \$64,996,844 for series B bonds were deposited to the revenue bonds construction fund.

On March 11, 2009, the District issued \$64,996,844 of Series B General Obligation Bonds to fund the construction of capital facilities within the District. Series B bonds consist of \$60,190,000 current interest bonds and \$4,806,844 capital appreciation bonds. These bonds were financed over 25 years with principal and interest payments due on February 1 and August 1 commencing February 1, 2010.

On December 21, 2010, the District issued \$60,040,980 of Measure A, Series C General Obligation Bonds to finance the improvement of capital facilities authorized at the 2004 election.

Cash and cash equivalents consist primarily of funds held in the Los Angeles County Treasury. The changes in the cash position are explained in the Statement of Cash Flows.

Total current assets increased by \$1,100,998 mainly due to the decrease in accounts receivable offset with an increase in cash and cash equivalents from the repayment of deferred funds received. Non-current assets decreased by \$290,000 due to the increase in capital assets for buildings and improvements offset by the decrease in restricted cash. Net position increased by \$747,000 mainly due to increase in cash and cash equivalents.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, while budgeted for operations, are considered non-operating revenue according to generally accepted accounting principles.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

The following schedule is prepared from the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Statement of Revenues, Expenses and Changes in Net Position
(in thousands)

	Year Ended June 30		Year-to-year Change
	2013	2012 (Restated)	
Revenues			
Operating revenues	\$ 37,243	\$ 39,177	-4.9%
Operating expenses	96,858	106,330	-8.9%
Operating loss	(59,615)	(67,153)	
Nonoperating revenues (expenses)	60,708	65,406	-7.2%
Change in net position	1,093	(1,747)	-162.6%
Net position- beginning of year, as restated	92,755	94,502	-1.8%
Net position- end of year	\$ 93,848	\$ 92,755	-1.2%

Operating revenues include tuitions, fees, federal, state and local grants. Total operating revenues decreased by \$ 1,933,334 due to decrease in Federal Financial Aid, including a decrease in Pell by \$1 million and a decrease in direct loans by \$360,000. Though tuition increased by over \$4 million they were primarily offset by BOGG fee waiver, resulting in a net tuition and fee increase of \$1.3 million.

Nonoperating revenues (expenses) consisting of state apportionment, state bond capital construction fund, local property taxes, investment income, and interest expenses. Nonoperating revenues decreased by \$4.7 million (or 7.2%) primarily due to increase in interest expense and a decrease in investment income.

Total operating expenses, consisting of employee salaries and benefits, financial aids, and other operating services and supplies decreased by \$9.4 million (or 9%) compared to the prior year.

The District's primary funding source is based upon apportionment received from the state of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). From the District's final apportionment attendance report to the Chancellor's Office, the 2012-13 fiscal year FTES were 12,829 as compared to 13,892 in the 2011-12 fiscal year. These FTES represent state and non-state students' attendance.

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the District's financial results by reporting its major sources and uses of cash. The information assists readers in assessing the District's abilities to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts:

- Operating cash flows – shows the net cash used by the operating activities of the institution
- Non-capital financing activities – shows the sources and uses of related financing activities
- Capital and related financing activities – deals with cash flows from capital and related financing activities
- Cash provided by investing activities – reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

Condensed Statement of 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.

Condensed Statement of Cash Flows (in thousands)			
	Year Ended June 30		Year-to-year
	2013	2012	Change
Cash flows from operating activities	\$ 44,242	\$ 33,335	32.7%
Cash expended for operations	(93,288)	(99,297)	-6.1%
Net cash used in operating activities	(49,046)	(65,962)	-25.6%
Net cash provided from non-capital financing activities	68,932	70,927	-2.8%
Net cash used by capital and related financing activities	(26,532)	(35,672)	-25.6%
Net cash provided by investing activities	673	1,065	-36.8%
	(5,973)	(29,642)	-79.8%
Net change in cash and cash equivalents			
Cash and cash equivalents - beginning of year	94,994	124,636	
Cash and cash equivalents - end of year	\$ 89,021	\$ 94,994	-6.3%

The primary operating receipts are student tuition and fees and federal, state, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to administrators, instructional and classified support staff.

While state apportionment and property taxes are the primary source of non-capital related revenue, the new GASB accounting standards require that this source of revenue is shown as non-operating revenue as it comes from the general resources of the state and not from the primary users of the colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had net capital assets of \$195.7 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2013 our net capital assets increased to \$207.8 million. The increase was due to significant capital expenditures of construction work-in-progress and the completion of PE Complex.

Long-Term Debt

In June 2004, the District sold \$58 million General Obligation Bonds 2004 Series A. In March 2009, the District sold \$64.9 million General Obligation Bonds Series B. In December 2010, the District issued \$60 million of measure A, Series C General Obligation Bonds. Expenditures of the bonds proceeds are subject to the review of a Citizens Oversight Committee, a citizen group that reports to the public. The audited Bond Financial Statements and Performance Audit as of June 30, 2012 were reviewed and accepted by Rio Hondo Board of Trustees & Citizens Oversight Committee.

In addition to the above obligations, the District is also obligated to employees of the District for vacation benefits and retirement benefits to retired employees and future benefits to the current employees. Refer to Note 9 for the details of long-term debt as of June 30, 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget for fiscal year 2012-13 was approved by the board on June 12, 2013.

ECONOMIC FACTORS AFFECTING THE FUTURE OF RIO HONDO COMMUNITY COLLEGE DISTRICT

The economic position of Rio Hondo Community College is closely tied to the State of California as state apportionments and property taxes allocated to the District represent approximately 79 percent of the total sources of revenues received by the District for fiscal year 2012-13.

The state of the economy is improving and most of the economic indicators are largely positive, however surveys shows most Americans are still pessimistic. Unemployment is still chronically high in California though it has gone down in the last few years and household income has not shown any improvement.

The most recent projection from the state indicated that the state projected continued growth in the economy, however the Governor agreed to a restrained budget for 2013-2014. The state projects a \$5.6 Billion reserve in fiscal year 2014-2015. The state projects continued growth in future years with projected surplus of \$9.6 Billion through fiscal year 2017-2018.

Rio Hondo's FTES for fiscal year 2012-13 decreased by 1,062 largely due to section reductions, this is consistent with the enrollment trends for California Community Colleges which has seen a decrease of 22%. Even though the reduced enrollment figures have had an impact on the current year budget the District maintains a balanced budget and has strived for financial stability in these difficult times.

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 Accounting Office at Rio Hondo Community College District, 3600 Workman Mill Road, Whittier, California 90601, or e-mail Teresa Dreyfuss at TDreyfuss@riohondo.edu.

Rio Hondo Community College District
Statement of Net Position
June 30, 2013

ASSETS	
Current assets	
Cash and cash equivalents	\$ 34,740,332
Accounts receivable, net	19,140,121
Prepaid expenses	80,796
Inventories	21,808
Advances to employees	506,769
Due from fiduciary funds	320,003
Total current assets	54,809,829
Noncurrent assets	
Restricted cash	54,280,689
Capital assets, net	207,792,259
Total noncurrent assets	262,072,948
Total assets	316,882,777
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding of debt	1,759,929
Total assets and deferred outflows of resources \$	318,642,706
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable and accrued liabilities	\$ 13,835,720
Accrued payroll and payroll taxes	7,595,092
Accrued interest	2,096,385
Due to fiduciary funds	66,000
Unearned revenue	4,716,487
Compensated absences	719,111
Current portion of noncurrent liabilities	3,525,000
Total current liabilities	32,553,795
Noncurrent liabilities	
Bonds payable, net of current portion	177,574,570
Unamortized bond premium	3,612,240
Postemployment benefits other than pension (OPEB)	11,054,704
Total noncurrent liabilities	192,241,514
Total liabilities	224,795,309
Net position	
Net investment in capital assets	72,234,783
Restricted for:	
Debt service	6,613,572
Other special services	725,907
Unrestricted	14,273,135
Total net position	93,847,397
Total liabilities and net position \$	318,642,706

See notes to financial statements.

Rio Hondo Community College District
Statement of Cash Flows
Year ended June 30, 2013

Cash flows from operating activities	
Tuition and fees	\$ 5,957,829
Federal grants and contracts	26,474,957
State grants and contracts	9,292,419
Local grants and contracts	1,924,581
Payments to suppliers	(10,087,518)
Payments to/on-behalf of employees	(62,752,643)
Payments to/on-behalf of students	(20,436,454)
Sales and other operating revenues	591,862
Repayment from affiliates	(11,353)
Net cash used in operating activities	<u>(49,046,320)</u>
Cash flows from non-capital financing activities	
State apportionments	49,633,559
State bond capital construction fund	5,149,193
Property taxes	14,149,159
Net cash provided by non-capital financing activities	<u>68,931,911</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(16,901,332)
Principal paid on capital debt	(4,610,618)
Interest paid on capital debt	(5,020,389)
Net cash used in capital and related financing activities	<u>(26,532,339)</u>
Cash flows from investing activities	
Interest on investments	<u>673,888</u>
Net change in cash and cash equivalents	(5,972,860)
Cash and cash equivalents - beginning of year	<u>94,993,881</u>
Cash and cash equivalents - end of year	<u>\$ 89,021,021</u>
Details of Cash and cash equivalents in the statement of net position:	
Cash and cash equivalents	\$ 34,740,332
Restricted cash	<u>54,280,689</u>
Total cash and cash equivalents	<u>\$ 89,021,021</u>

See notes to financial statements.

Rio Hondo Community College District
Statement of Cash Flows (Continued)
Year ended June 30, 2013

**Reconciliation of operating income (loss) to
net cash used in operating activities**

Operating income (loss)	\$ (59,614,976)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	4,851,541
(Increase) decrease in assets:	
Receivables	5,305,197
Inventories	(1,447)
Prepaid expenses	(52,077)
Advances to employees	25,487
Due from fiduciary funds	(11,353)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(1,539,088)
Accrued payroll and payroll taxes	(438,914)
Unearned revenue	1,693,315
Compensated absences	(31,581)
Other postemployment benefit obligation	767,576
Net cash used in operating activities	\$ <u>(49,046,320)</u>

See notes to financial statements.

**Rio Hondo Community College District
Statement of Fiduciary Net Position
June 30, 2013**

	Associated Student Body Fund	Auxiliary Services Organization Fund
ASSETS		
Cash in banks	\$ 264,330	\$ 909,824
Due from District	16,000	49,999
Accounts receivable	500	-
Total assets	\$ <u>280,830</u>	\$ <u>959,823</u>
LIABILITIES AND NET POSITION		
Liabilities - trust fund accounts	\$ 76,996	\$ 733,797
Accounts payable	72,134	76,607
Total liabilities	<u>149,130</u>	<u>810,404</u>
Net position		
Assigned	131,700	149,419
Total liabilities and net position	\$ <u>280,830</u>	\$ <u>959,823</u>

See notes to financial statements.

**Rio Hondo Community College District
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2013**

	<u>Associated Student Body Fund</u>	<u>Auxiliary Services Organization Fund</u>
Revenues		
Program income	\$ <u>215,313</u>	\$ <u>351,377</u>
Expenses		
Salaries	50,000	-
Activities and functions	<u>116,529</u>	<u>347,143</u>
	<u>166,529</u>	<u>347,143</u>
Change in net position	48,784	4,234
Net position		
Beginning of year	<u>82,916</u>	<u>145,185</u>
End of year	<u>\$ <u>131,700</u></u>	<u>\$ <u>149,419</u></u>

See notes to financial statements.

NOTE 1 ORGANIZATION

Rio Hondo Community College District (the District) was established in 1960 as a political subdivision of the State of California and provides educational services to residents of Whittier, Pico Rivera, Santa Fe Springs, La Puente and surrounding areas. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level.

While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No.14, *The Financial Reporting Entity*. This Statement has been amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No.61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No.14 and No.34*. These statements amend GASB Statement No.14, to provide additional guidance to determine whether certain organizations should be reported as component units. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its components units, or its constituents.
- The District or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Rio Hondo Community College District Foundation

The Rio Hondo Community College District Foundation (the Foundation) is a legally separate, tax-exempt organization. The Foundation is not included as a component unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model is Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Additional information is included in Note 12 to the financial statements. Financial statements for the Foundation can be obtained from the Foundation's Office at 3600 Workman Mill Road, Whittier, California 90601.

Public Entity Risk Pools and Joint Powers Authorities (JPAs)

The District is associated with two JPAs. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 13 to the financial statements. These organizations are: the Southern California Community College Districts' (SCCCD), and the Alliance of Schools for Cooperative Insurance Programs (ASCIP).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38 and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. 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.

Revenue 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, such as State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenues. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants. Eligibility requirements may include time and or purpose. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. State apportionment revenue is earned based upon criteria set forth from the Community College Chancellor's Office and includes reporting of full-time equivalent students (FTES). The corresponding apportionment revenue is recognized in the period the FTES are generated.

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 accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office *Budget and Accounting Manual*.

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, No.63 and No.65. 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:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

Cash in the County Treasury is recorded at cost, which approximates fair value. The District's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Certain proceeds of debt issuance, as well as certain resources set aside for their repayment, are classified as restricted cash on the statement of net position because their use is limited by applicable bond covenants.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2013.

Inventory

Inventory consists of expendable instructional, custodial, health and other supplies held for consumption. Inventories are presented at cost, utilizing the weighted average method and are expensed when used.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. The provision for depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 40 years for buildings and building and land improvements, 5 to 15 years for equipment and vehicles and 5 years for technology. The District reviews the carrying amount of its capital assets for possible impairments when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Accounts Payable

Accounts payable consists of amounts due to vendors.

Accrued Payroll

Accrued payroll consists of salaries and benefits payable and deferred summer pay.

Unearned Revenue

Unearned revenues include (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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accumulated earned but unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the Statement of Net Position.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Nos. 63 and 65, the District recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Net Position

Net positions are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following categories:

Net Investment in Capital Assets

This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position – expendable

Restricted expendable net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Restricted net position - nonexpendable

Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net position - nonexpendable.

Unrestricted net position

Unrestricted net position represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operations 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 fees, net of scholarship discounts and allowances, and Federal and most State and local grants and contracts.

Nonoperating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as State apportionments, property taxes, Federal, State and local grants and contracts, gifts and contributions, and other revenue sources as described in GASB Statements No. 34 and No. 35.

Classification of Expenses

Nearly all 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 service of the District.

State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Any corrections from the previous year will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1st. Taxes are payable in two installments and installments are considered delinquent after December 10th and April 10th. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

On-Behalf Payment

GASB Statement No. 24 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, Academic Competitiveness Grants, and Federal Family Education Loan 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. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. The total amount in direct lending during the year through the U.S. Department of Education has not been included as revenues or expenses within the accompanying financial statements as the amount was passed directly to qualifying students; however, the amount is included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2013, the District adopted the following Governmental Accounting Standards Board (GASB) statements which impacted the District's financial statements:

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB statement No. 34 and 14*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The District determined that its financial statements comply with the new requirements noted in the amendments.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In the prior years, the District followed private-sector standards of accounting and financial reporting issued prior to December 1, 1989 to the extent those standards do not conflict with the guidance of the GASB. Based on the District's calculation of capitalizable interest and related depreciation, implementation of this standard did not have a material impact on the District's financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. For the fiscal year 2012-2013, the District's deferred outflows of resources represent the difference between the net carrying amount of refunded debt and its reacquisition price. This was a result of advance refunding of debt in prior years which resulted in defeasance of debt.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Adoption of this statement resulted in restatement of the District's beginning net position because of the write-off of deferred bond issuance cost which was recognized as asset in the prior years.

NOTE 3 CASH AND CASH EQUIVALENTS

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.

Cash 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 the County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting 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 Authorization

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

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

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents at June 30, 2013 are composed of the following:

Cash on hand and in banks (Unrestricted)	\$	379,157
Cash in County Treasury:		
Unrestricted	\$	34,361,175
Restricted cash for building construction		47,667,117
Restricted cash for debt service		<u>6,613,572</u>
Total cash in County Treasury		88,641,864
Total cash and cash equivalents	\$	<u><u>89,021,021</u></u>

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity in Days
County Pool	88,641,864	632

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.

Custodial Credit Risk – Bank Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, the District's bank balance amounting to \$2,409,528 was in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000.

Custodial Credit Risk – Pooled Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values are provided by the County Treasurer. As of June 30, 2013, \$88,641,864 is invested in the Los Angeles County Treasurer's Pooled Investment Fund.

NOTE 4 ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2013 is composed of the following:

Federal	\$	596,370
State		17,619,338
Local		544,632
Interest		325,434
Others		54,347
Total	\$	<u>19,140,121</u>

Receivables from other sources include accrued interest receivable, student fees received from clearing accounts and other services.

NOTE 5 INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivables and payables consist of amounts due for cost allocation. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivable and payable balances have been eliminated in the consolidation process for financial statement presentation.

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 between funds of the District have been eliminated in the consolidation process.

Rio Hondo Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 6 CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Nondepreciable capital assets				
Land	\$ 2,125,023	\$ -	\$ -	\$ 2,125,023
Work-in-progress	37,653,211	548,700	37,079,206	1,122,705
Total	<u>39,778,234</u>	<u>548,700</u>	<u>37,079,206</u>	<u>3,247,728</u>
Depreciable capital assets				
Buildings and improvements	180,586,433	53,188,362	-	233,774,795
Equipment and furniture	8,113,952	243,476	-	8,357,428
Capitalized equipment	1,742,033	-	-	1,742,033
Total	<u>190,442,418</u>	<u>53,431,838</u>	<u>-</u>	<u>243,874,256</u>
Less accumulated depreciation				
Buildings and improvements	26,378,874	4,453,179	-	30,832,053
Equipment and furniture	6,705,680	311,260	-	7,016,940
Capitalized equipment	1,393,630	87,102	-	1,480,732
Total	<u>34,478,184</u>	<u>4,851,541</u>	<u>-</u>	<u>39,329,725</u>
Net depreciable capital assets	<u>155,964,234</u>	<u>48,580,297</u>	<u>-</u>	<u>204,544,531</u>
Capital assets, net	<u>\$ 195,742,468</u>	<u>\$ 49,128,997</u>	<u>\$ 37,079,206</u>	<u>\$ 207,792,259</u>

Total depreciation expense amounted to \$4,851,541 for the year.

NOTE 7 UNEARNED REVENUE

Unearned revenue at year end consists of the following:

	Amount
Principal Apportionment	\$ 4,526,112
Student fees	127,875
Other	62,500
	<u>\$ 4,716,487</u>

Rio Hondo Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 8 COMPENSATED ABSENCES

Compensated absences at year end is as follows:

Compensated Absences

	Amount
Balance beginning of year	\$ 750,692
Additions	-
Deductions	(31,581)
Balance end of year	\$ 719,111

NOTE 9 LONG-TERM LIABILITIES

A schedule of changes in long-term debt for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions	Accreted Interest	Reductions	Balance June 30, 2013	Due within one year
General Obligation Bonds						
2004 Series A General obligation bonds	\$ 5,340,000	\$ -	\$ -	\$ 1,690,000	\$ 3,650,000	\$ 1,780,000
2005 General obligation refunding bonds	43,206,005	-	-	1,150,619	42,055,386	1,480,000
2009 Series B General obligations bonds	65,037,333	-	419,185	1,770,000	63,686,518 *	265,000
2010 Series C General obligations bonds	66,994,130	-	4,713,535	-	71,707,665 **	-
Unamortized bond premium	4,602,414	-	-	990,174	3,612,240	-
Total General Obligation Bonds	185,179,882	-	5,132,720	5,600,793	184,711,809	3,525,000
Other Liabilities						
Net OPEB obligation	8,274,881	4,795,105	-	2,015,282	11,054,704	-
	8,274,881	4,795,105	-	2,015,282	11,054,704	-
Total long-term liabilities	\$ 193,454,763	\$ 4,795,105	\$ 5,132,720	\$ 7,616,075	\$ 195,766,514	\$ 3,525,000

* Includes accreted interest amount of \$1,804,675 from issue date

** Includes accreted interest amount of \$11,666,686 from issue date

Description of Debt

Payments on the general obligations bonds are made by the bond interest and redemption fund with local property taxes. The OPEB obligation will be paid by the general fund.

Bonded Indebtedness

In March 2004 the District adopted a resolution to issue general obligation bonds in an amount not to exceed \$245,581,122 for the purpose of future facility construction. The citizens of the District approved the bond issuance in the March 2004 election. On June 3, 2004 the District issued \$58,000,000 Series A General Obligation Bonds at a net premium of \$463,164. The bonds, rated "AAA" by Standard & Poor's at the time of issuance, will mature on August 1, 2014 and bear interest rates from 3.00% to 5.25%.

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

On September 26, 2005, the District adopted a resolution to issue general obligation refunding bonds (the "Refunding Bonds") to finance the advance refunding of a portion of the District's outstanding Series A Bonds starting August 1, 2015. On November 3, 2005, Refunding Bonds in the amount of \$47,117,244 were issued which consisted of current interest bonds of \$43,750,000 and capital appreciation bonds of \$3,367,244. The Refunding Bonds, rated "AAA" by Standard & Poor's at the time of issuance, will mature on August 1, 2024. The total proceeds from the bond issuance amounted to \$51,103,479.

Concurrent with the issuance of the Refunding Bonds, the District deposited part of the proceeds in the amount of \$46,371,376 from the Refunding Bonds in trust into an escrow agent securing the respective maturities of the Series A General Obligation Bonds. The remaining portion in the amount of \$4,732,103 was deposited to the revenue bond construction fund. The advanced refunding met the requirements of an in-substance defeasance. Accordingly, the refunded portion of the Series A General Obligation Bonds were removed from the District's financial statements. The defeasance of the Series A General Obligation Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt.

On March 11, 2009, the District issued \$64,996,844 of Series B General Obligation Bonds to fund the acquisition, construction, furnishing, equipping and improvement of capital facilities within the District. The Series B General Obligation Bonds, which were rated "AA" by Standard & Poor's at the time of issuance, consist of \$60,190,000 current interest bonds and \$4,806,844 capital appreciation bonds. Interest on the current interest bonds is payable semiannually on February 1, and August 1 commencing February 1, 2010. Current interest bonds bear interest at rates ranging from 3.0% to 5.0% and the bonds mature August 1, 2030. Capital appreciation bonds bear compounded interest at rates ranging from 6.60% to 6.69% and will mature in August 2033. The total proceeds from the bond issuance amounted to \$66,545,864.

On December 21, 2010, the District's issued \$60,040,980 of Measure A, Series C General Obligation Bonds to finance of the furnishing, equipping, acquisition, construction and improvement of District capital facilities authorized at the 2004 election. The Series C bonds consist of \$18,806,028 Capital Appreciation Bonds and \$41,234,952 Convertible Capital Appreciation Bonds. Capital Appreciation Bonds accrete interest from the date of delivery, compounded semiannually on February 1, and August 1 of each year, commencing February 1, 2011, and will be payable solely at maturity, with accretion rates ranging from 6.99% to 12.00%. The bonds mature in August 1, 2038. The Convertible Capital Appreciation Bonds was initially issued as capital appreciation bonds and will convert to current interest bonds on August 1, 2024, the conversion date. Prior to the conversion date, these bonds will not pay interest, but will accrete in value from their initial principal amounts on the delivery date to the conversion date. Capital accretion rates range from 6.625% to 6.850%. Prior to the conversion date, interest will be compounded on each February 1 and August 1, commencing February 1, 2011. No payment of interest will be made prior to or on the conversion date. Following conversion, the bonds will pay current interest based on the conversion value, such interest will be payable semi-annually on each February 1 and August 1, commencing February 1, 2025, ranging from 6.625% to 6.850%. The bonds mature August 1, 2042.

Rio Hondo Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Additions	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2013
2004	2014	3.00 - 5.25%	\$ 58,000,000	\$ 5,340,000	\$ -	\$ -	\$ 1,690,000	\$ 3,650,000
2005	2024	4.46%	47,117,244	43,206,005	-	-	1,150,619	42,055,386
2009	2033	3.00 - 6.69%	64,996,844	65,037,333	-	419,185	1,770,000	63,686,518
2010	2042	6.29 - 6.99%	60,040,980	66,994,130	-	4,713,535	-	71,707,665
				<u>\$ 180,577,468</u>	<u>\$ -</u>	<u>\$ 5,132,720</u>	<u>\$ 4,610,619</u>	<u>\$ 181,099,569</u>

The 2004 Series A General Obligation Bonds mature through 2015 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 1,780,000	\$ 144,900	\$ 1,924,900
2015	1,870,000	49,088	1,919,088
	<u>\$ 3,650,000</u>	<u>\$ 193,988</u>	<u>\$ 3,843,988</u>

The 2005 Series A General Obligation Bonds mature through 2025 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 1,480,000	\$ 1,955,588	\$ 3,435,588
2015	563,050	2,915,537	3,478,587
2016	1,132,336	4,311,252	5,443,588
2017	3,525,000	1,830,462	5,355,462
2018	3,705,000	1,649,713	5,354,713
2019-2023	21,485,000	4,962,644	26,447,644
2024-2025	10,165,000	2,029,838	12,194,838
	<u>\$ 42,055,386</u>	<u>\$ 19,655,034</u>	<u>\$ 61,710,420</u>

Rio Hondo Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The 2009 Series B General Obligation Bonds mature through 2034 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest *</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2014	\$ 265,000	\$ -	\$ 2,843,138	\$ 3,108,138
2015	680,000	-	2,828,963	3,508,963
2016	895,000	-	2,800,863	3,695,863
2017	1,630,000	-	2,750,362	4,380,362
2018	1,895,000	-	2,670,387	4,565,387
2019-2023	12,885,000	-	11,712,338	24,597,338
2024-2028	20,915,000	-	7,558,756	28,473,756
2029-2033	21,186,990	5,529,071	12,757,310	39,473,371
2034	1,529,853	11,859,085	6,085,146	19,474,084
	<u>\$ 61,881,843</u>	<u>\$ 17,388,156</u>	<u>\$ 52,007,262</u>	<u>\$ 131,277,261</u>

* Interest that is accrued from the initial principal amounts, and no interest payment is made until maturity.

The 2010 Series C General Obligation Bonds mature through 2042 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest *</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -	\$ -
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018-2022	-	-	-	-
2023-2027	250,979	1,424,020	20,858,520	22,533,519
2028-2032	3,237,446	12,217,554	34,764,200	50,219,200
2033-2037	12,626,603	56,933,398	34,764,200	104,324,201
2038-2042	43,925,952	76,369,048	24,931,755	145,226,755
	<u>\$ 60,040,980</u>	<u>\$ 146,944,020</u>	<u>\$ 115,318,675</u>	<u>\$ 322,303,675</u>

* Interest that is accrued from the initial principal amounts, and no interest payment is made until maturity.

At June 30, 2013 and 2012, the unamortized premiums were \$3,612,240 and \$4,602,414 respectively. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

NOTE 10 EMPLOYEE RETIREMENT PLANS

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

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law (Part 13 of the California Education Code, Sec. 22000 et seq.). STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.00% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual covered payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issue a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary; currently the District contributes the employees' portion for California School Employees Association and confidential staff members. The District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2012-13 was 11.417%.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years were as follows:

Year ended June 30,	STRS			PERS		
	Required Contribution	Employer Contribution	Percent Contributed	Required Contribution	Employer Contribution	Percent Contributed
2013	\$ 2,380,708	8.25%	100%	\$ 1,470,282	11.417%	100%
2012	2,533,196	8.25%	100%	1,422,126	10.923%	100%
2011	2,581,729	8.25%	100%	1,384,140	10.71%	100%

The State of California may make additional direct payments for retirement benefits to the STRS or CalPERS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary to future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. Participating employees' accumulated net contributions and accumulated interest earnings are held by the financial institution administering the plan. The plan's funds are not considered assets or liabilities of the District. As of June 30, 2013 the balance in this plan amounted to \$99,750.

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

Plan Description

The District administers a single-employer defined benefit healthcare plan. The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. Membership of the Plan consists of 291 retirees and beneficiaries currently receiving benefits and 430 active plan members.

Funding Policy

The contribution requirements of the Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarially determined annual required contribution.

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$	4,657,190
Interest on Net OPEB Obligation		413,744
Adjustments to Annual Required Contribution		<u>(275,829)</u>
Annual OPEB Cost		4,795,105
Pay-as-you-go cost		<u>(2,015,282)</u>
Change in net OPEB obligation		2,779,823
Net OPEB obligation, beginning of year		<u>8,274,881</u>
Net OPEB obligation, end of year	\$	<u><u>11,054,704</u></u>

Trend Information

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

Fiscal year end	Annual OPEB Cost	Pay-As-You- Go Contribution	Net OPEB Obligation
6/30/2011	\$ 4,920,932	\$ 2,000,000	\$ 5,366,196
6/30/2012	4,920,932	2,012,247	8,274,881
6/30/2013	4,795,105	2,015,282	11,054,704

During the year the District did not make actual contributions towards OPEB but did incur pay-as-you-go expenditures amounting to \$2,015,282.

Funding Status and Funding Progress

As of December 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well the unfunded actuarial accrued liability (UAAL) was \$59,991,448. The covered payroll (annual payroll of active employees covered by the plan) was \$62,307,635, and the ratio of the UAAL to the covered payroll was 96%. Actuarial valuation of an ongoing Plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations

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

and new estimates are made about the future. The schedule of post-employment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The actuarial cost method used in determining the benefit obligations is the Entry Age Normal cost method. The actuarial assumptions included a 5 percent investment rate of return which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent which includes 3.0 percent inflation rate. The initial UAAL is being amortized as a level percentage of payrolls with a closed 30 year amortization period. The residual UAAL is amortized using an open 30 year period. The remaining amortization period at June 30, 2013, is 27 years. The actuarial value of the assets was not determined in this actuarial study.

NOTE 12 RIO HONDO COLLEGE FOUNDATION

The condensed financial information of the Foundation is as follows:

	Foundation June 30, 2012 (Audited)
Total assets	\$ 2,422,060
Total liabilities	275,511
Net assets	2,146,549
Total revenues	\$ 395,115
Total expenditures	356,275
Increase in net assets	\$ 38,840

NOTE 13 JOINT POWERS AGREEMENT AND SELF-INSURANCE

The District participates in two Joint Powers Agreement (JPA) entities: the Southern California Community College Districts' (SCCCD), and the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes.

SCCCD arranges for and provides a self-funded or additional insurance for excess liability fund for approximately 1,100 public educational agencies. SCCCDD is governed by a Board of 16 elected voting members, elected alternates, and two ex-officio members. The Board controls the operations of SCCCDD, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member pays an annual contribution based upon that calculated by SCCCDD's Board of directors and shares surpluses and deficits proportionately to its participation in SCCCDD.

ASCIP arranges for and provides property, liability and excess workers' compensation insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested.

Condensed financial information of SCCCDD and ASCIP for the most current information available is as follows:

	SCCD		ASCIP
	June 30, 2012		June 30, 2012
	(Audited)		(Audited)
	Workers Compensation Insurance Fund	Retiree Health Insurance Fund	
Total assets	\$ 15,752,088	\$ 29,100,579	\$ 272,622,432
Total liabilities	702,552	-	148,239,028
Net assets	<u>\$ 15,049,536</u>	<u>\$ 29,100,579</u>	<u>124,383,404</u>
Total revenues	\$ 1,434,189	\$ (338,147)	\$ 183,649,717
Total expenditures	7,122,790	1,500	174,073,579
Increase (decrease) in net assets	<u>\$ (5,688,601)</u>	<u>\$ (339,647)</u>	<u>\$ 9,576,138</u>

Rio Hondo Community College District
Notes to Financial Statements
Year ended June 30, 2013

NOTE 14 FUNCTIONAL EXPENSES

Details of functional expenses for the year ended June 30, 2013 are as follows:

	Salaries and Benefits	Supplies, Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	\$ 34,659,368	\$ 1,853,991	\$ -	\$ -	\$ 36,513,359
Academic support	7,152,468	963,853	-	-	8,116,321
Student services	10,155,834	882,389	-	-	11,038,223
Operation and maintenance of plant	3,286,676	2,262,592	-	-	5,549,268
Institutional support services	6,382,242	1,792,948	-	-	8,175,190
Community services and economic developm	411,525	358,652	-	-	770,177
Ancillary services and auxiliary operations	428,938	350,585	-	-	779,523
Childcare center	598,155	29,901	-	-	628,057
Physical property and related acquisitions	-	-	-	-	-
Student aid	-	-	20,436,453	-	20,436,453
Depreciation expenses	-	-	-	4,851,541	4,851,541
Total	\$ 63,075,206	\$ 8,494,911	\$ 20,436,453	\$ 4,851,541	\$ 96,858,112

NOTE 15 COMMITMENTS AND CONTINGENCIES

Lease Commitments

Operating lease commitments are primarily for computer and printing equipment used by the various departments of the District. Total lease expense during the year amounted to \$145,052.

Future minimum annual lease payments for the years ending June 30 are as follows:

Year	Amount
2014	\$ 135,481
2015	109,108
2016	21,403
2017	7,725
Total	\$ 273,717

State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Litigation

The District is involved in various litigations 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, 2013.

NOTE 16 DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the District recognized deferred outflows of resources in the financial statements. The deferred outflow of resources pertains to the difference in the carrying value of refunded debt and its reacquisition price. Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

NOTE 17 RESTATEMENTS AND CHANGE IN ACCOUNTING PRINCIPLE

Pursuant to GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the District no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The District made adjustments to write off the remaining unamortized bond issuance costs and reported the effect of the adjustments as the cumulative effect of change in accounting principle in the current fiscal year. The District’s beginning net position balance has been restated as follows to reflect the effect of the GASB 65 implementation:

Net position at June 30, 2012, as previously reported	\$	94,155,590
Effect of change in accounting principle		(1,401,219)
Net position at June 30, 2012, as restated		92,754,371

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 2, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Rio Hondo Community College District
Schedule of Postemployment Healthcare Benefits Funding Progress
Year ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry age normal method (AAL)	Unfunded actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
11/1/2010	\$ -	\$ 63,336,909	\$ 63,336,909	-	\$ 71,904,496	88%
12/1/2012	-	57,364,482	57,364,482	-	62,307,635	92%

NOTE 1 PURPOSE OF SCHEDULE

Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information from the two most recent actuarial valuations, in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

SUPPLEMENTARY INFORMATION

**Rio Hondo Community College District
History and Organization
Year ended June 30, 2013**

The Rio Hondo Community College District was established by election in October 1960 and encompasses a 65.6 square-mile area which includes the cities of Whittier, Pico Rivera, Santa Fe Springs, South El Monte and portions of Norwalk, La Mirada, Downey, La Puente and Industry, some unincorporated areas of Los Angeles County, and the portion of the City of El Monte south and east of the Rio Hondo River. There were no changes in the District's boundaries during the current year. The District currently operates Rio Hondo College.

As of June 30, 2013, the Board of Trustees is composed of the following members:

<u>Board of Trustees</u>		
<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Madeline Shapiro	President	12/2013
Vicky Santana	Vice President	12/2015
Gary Mendez	Clerk	12/2015
Angela Acosta-Salazar	Member	12/2013
Norma Edith Garcia	Member	12/2013
Caroline Carroll	Student Member	12/2014

<u>District Executive Officers</u>	
Teresa Dreyfuss	President/ Superintendent
Dr. Kenn Pierson	Vice President, Academic Services
Henry Gee	Vice President, Student and Community Services
Philip Luebben	Interim Vice President, Finance and Business

**Rio Hondo Community College District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013**

Federal Grantor / Pass - Through Grantor /Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	* 84.063	N/A	\$ 17,726,367
Direct Loans	* 84.268	N/A	877,292
Federal Work Study Program	* 84.033	N/A	220,928
Federal Supplemental Educational Opportunity Grants	* 84.007	N/A	247,776
Total Student Financial Aid Cluster			<u>19,072,363</u>
Higher Education Act			
Trio Cluster:			
Upward Bound	* 84.047	N/A	68,256
Student Support Services	* 84.042	N/A	254,025
S 3 STEM	* 84.042A	N/A	216,275
Total Trio Cluster			<u>538,556</u>
Instructional Development and Educational Assessment for Student Success (IDEAS)	* 84.031S	N/A	503,465
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	N/A	1,020
Total Higher Education Act			<u>1,043,041</u>
Career and Technical Education Act			
Pass through from California Community Colleges Chancellor's Office			
Perkins IV, Title 1, Part C	* 84.048	12-CO1-044	415,648
Perkins Title I-B, Regional Consortia	* 84.048	11-342-005	425,493
Transitions	* 84.048	11-112-880	49,389
Total Career and Technical Education Act			<u>890,530</u>
Total U.S. Department of Education			<u>21,005,934</u>
Department of Health and Human Services			
Pass through from California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families(TANF)	93.558	N/A	74,262
Foster Kinship Care Education	93.658	N/A	209,400
Total U.S. Department of Health and Human Services			<u>283,662</u>
Department of Justice			
Bureau of Justice Assistance			
Congressionally Recommended Awards	16.753	N/A	80,971
Department of Labor			
Pass through Mt. San Antonio Community College Healthcare Sector and Other Emerging Industries Grant			
	17.275	GJ-20034-10-60-A-6	45,662
National Science Foundation			
Scholarships	12.330	N/A	115,224
Total Federal Programs			<u>\$ 21,531,453</u>

* Current Year's major programs

N/A indicates not available and/or not applicable

See accompanying notes to the supplementary information.

**Rio Hondo Community College District
Schedule of State Financial Assistance - Grants
Year ended June 30, 2013**

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue		
State Awards					
Disabled Student Program and Services	\$ 456,260	\$ -	\$ -	\$ 456,260	\$ 604,765
Extended Opportunity Program and Services /Care	1,113,086	-	-	1,113,086	1,112,182
Cal Grant	970,840	-	-	970,840	906,372
Cal Works	228,412	-	-	228,412	237,904
Child Development Center	11,647	-	-	11,647	11,647
Matriculation	768,282	-	-	768,282	1,501,860
Apprenticeship	952,810	-	-	952,810	695,235
Part-time Faculty	288,623	-	-	288,623	288,623
Staff Development	7,196	-	-	7,196	7,196
Basic Skills	164,599	-	-	164,599	143,182
BFAP	475,550	-	-	475,550	337,121
Other Contributions and Grants	2,161,799	-	-	2,161,799	1,768,669
Total State Programs	\$ 7,599,104	\$ -	\$ -	\$ 7,599,104	\$ 7,614,756

See accompanying notes to the supplementary information.

Rio Hondo Community College District
Schedule of Workload Measures for State General Apportionment
Year ended June 30, 2013

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	49.56	-	49.56
2. Credit	333.12	-	333.12
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	-	-	-
2. Credit	1,379.48	-	1,379.48
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,343.01	-	8,343.01
(b) Daily Census Contact Hours	846.41	-	846.41
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	264.09	-	264.09
(b) Credit	378.00	-	378.00
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	881.32	-	881.32
(b) Daily Census Contact Hours	353.95	-	353.95
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>12,828.94</u>	<u>-</u>	<u>12,828.94</u>
Supplemental Information			
E. In-Service Training Courses (FTES)	<u>255.17</u>	<u>-</u>	<u>255.17</u>
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	159.72	-	159.72
2. Credit	<u>1,126.37</u>	<u>-</u>	<u>1,126.37</u>
	<u>1,286.09</u>	<u>-</u>	<u>1,286.09</u>
<u>CCFS 320 Addendum</u>			
<u>CDCP Noncredit FTES</u>	<u>77.37</u>	<u>-</u>	<u>77.37</u>
<u>Centers FTES</u>			
(a) Noncredit	-	-	-
(b) Credit	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the supplementary information.

**Rio Hondo Community College District
 Reconciliation of Annual Financial and Budget Report (CCFS-311)
 With District Accounting System
 June 30, 2013**

Fund	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Fund	Internal Service Funds	Fiduciary Funds
June 30, 2013, Annual Financial and Budget Report (Form CCFS-311) Fund Balances	\$ 5,122,262	\$ 6,613,572	\$ 4,588,558	\$ 56,957,047	\$ 8,530,217	\$ 655,276
Adjustment and reclassification increasing fund balance:	-	-	-	-	-	-
Net adjustment and reclassifications	-	-	-	-	-	-
June 30, 2013 Audited Financial Statements Fund Balance	<u>\$ 5,122,262</u>	<u>\$ 6,613,572</u>	<u>\$ 4,588,558</u>	<u>\$ 56,957,047</u>	<u>\$ 8,530,217</u>	<u>\$ 655,276</u>

See accompanying notes to the supplementary information.

**Rio Hondo Community College District
Proposition 30 Education Protection Account Expenditure Report
Year ended June 30, 2013**

Prop 30 EPA Expenditure Report

EPA proceeds	\$ <u>9,727,628</u>
Instructors' salaries and benefits	\$ <u>9,727,628</u>

See accompanying notes to the supplementary information.

NOTE 1 PURPOSE OF SCHEDULES

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Rio Hondo Community College District for the year ended June 30, 2013 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance were prepared for the Rio Hondo Community College District on the modified accrual basis of accounting.

B. Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the Rio Hondo Community College District's annual source of funding.

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances.

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311. Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

D. Proposition 30, Education Protection Account (EPA) Expenditure Report

This schedule reports the EPA revenues and expenditures. EPA funds were incurred toward instructors' salaries and benefits.

**Report of Independent Auditors on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic
Financial Statements Performed in Accordance with Government Auditing Standards**

**The Honorable Board of Trustees
Rio Hondo Community College District**

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 Rio Hondo Community College District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2013.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaquez & Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California
December 2, 2013**

Report of Independent Auditors on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**The Honorable Board of Trustees
Rio Hondo Community College District**

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Rio Hondo Community College District (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we 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, Rio Hondo Community College District complied, in all material respects, with the 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, 2013.

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 of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 or significant deficiencies 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Los Angeles, California
December 2, 2013

Independent Accountants' Report on State Compliance Requirements

The Honorable Board of Trustees Rio Hondo Community College District

We have examined the District's compliance with the following state laws and regulations for the year ended June 30, 2013 in accordance with Section 400 of the Chancellor's Office California Community Colleges Contracted District Audit Manual (CDAM):

Section 421	Salaries of Classroom Instructors: 50% Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Course
Section 431	Gann Limit Calculation
Section 433	California Work Opportunity and Responsibility to Kids (CalWORKS) – Use of State and Federal Temporary Assistance for Needy Families (TANF) Funding
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Uses of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Students Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

Management is responsible for the District's compliance with these requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings S13-01 and S13-02 described in the accompanying schedule of State awards and compliance findings, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2013.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the District's management, the Board of Trustees, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 2, 2013

**Rio Hondo Community College District
Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness identified: No
- Significant deficiency identified that are not considered to be material weaknesses? No

Noncompliance material to the financial statements noted: No

Federal Awards

Internal control over its major programs:

- Material weakness identified: No
- Significant deficiency identified that are not considered to be material weaknesses? No

Type of auditors’ report issued on compliance for its Major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 None

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, and 84.268	Student Financial Assistance Cluster of Programs
84.048	Career and Technical Education Act Cluster (Perkins)
84.042, 84.042A and 84.047	TRIO Cluster
84.331	Instructional Development and Education Assessment for Student Success (IDEAS)

Dollar threshold used to distinguish between Type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee: Yes

**Rio Hondo Community College District
Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Section II – Financial Statement Findings

None.

Section III – Federal Award Finding

None.

Section IV – State Award and Compliance Finding

S 13-01

Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)

Criteria

The EOPS and CARE Programs Guidelines require a Mutual Responsibility Contract be completed and signed by the student applying for EOPS/CARE services and an EOPS/CARE Counselor or Director.

Condition

A Mutual Responsibility Contract for one student out of twenty five students selected for testing was incomplete and not signed by neither the student nor the EOPS/CARE Counselor or Director.

Questioned Costs

None

Effect

The condition identified results in noncompliance with the program guidelines.

Cause

Controls have not been established to ascertain compliance with all EOPS and CARE program guidelines.

Recommendation for Corrective Action

To ensure accuracy and completeness of the required documentation, a review of the intake documentation for each new and returning student should be performed by a EOPS/CARE program official who is not responsible for performing the intake procedures with the student at the conclusion of the intake process.

District Response

The District will ensure students file are complete and all the required documents signed by the students and District personnel.

S 13-02

California Work Opportunity & Responsibility to Kids (CalWORKs)

Criteria

The CalWORKs program handbook requires College CalWORKs programs to have the following essential program elements in place, among other:

- Coordination with the local county welfare department to determine and document the eligibility of each student for community college CalWORKs program services, and ensure that services provided are not duplicated and are consistent with the student's welfare-to-work plan.

- A case management system that tracks each student's continuing eligibility for program services, monitors and supports students' progress in achieving their educational goals, and tracks the support services provided to students (for example, work study, counseling, job preparation, child care, etc.).

Conditions

The following were noted:

- For 5 of 25 samples tested, the student file did not contain a signed and completed intake form for the semester selected for testwork.
- For 2 of 25 samples tested, the student file did not contain verification of eligibility as determined by the County of Los Angeles GAIN office.
- For 2 of 25 samples tested, there were no evidence of correspondence with the County Welfare office within the file or according to the correspondence within the file, the student was not in good standing with the County Welfare office.
- For 1 of 25 samples tested, a student was reported as a participant to the County and funding was provided to the CalWORKs program for the student. However, the student was not enrolled in courses for the related semester.

Questioned Costs

None

Effect

The conditions identified result in noncompliance with program requirements.

Recommendation for Corrective Action

To ensure accuracy and completeness of the required documentation, a review of the student file should be performed periodically by a CalWORKs program official. The periodic review should include a step for inspecting County Welfare office correspondence to determine the student's standing. If the review identifies a file that does not contain the necessary correspondence, follow-up procedures should be designed to ensure the CalWORKs department attempts to obtain such verification of the student's standing with the County Welfare office.

District Response

We are already working on ensuring every file has an intake for every semester and ensuring that a notice of action and or verification of benefits are placed in the file to verify eligibility requirements. Interim Director has met with Interim CalWORKs Coordinator/Counselor and staff to ensure intake and eligibly requirements are maintained in files.

**Rio Hondo Community College District
Status of Prior Year Findings and Questioned Costs
Year ended June 30, 2013**

Finding	Recommendation	Status	Explanation if not Fully Implemented
State Award and Compliance Findings			
<p>S 12-01</p> <p>Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)</p> <p>The District did not have a list of the advisory committee members for both EOPS and CARE and no meetings were held as required by the program guidelines.</p>	<p>The EOPS and CARE program officials need to establish Advisory Committees and ensure that annual meetings are held as required by the program guidelines.</p>	<p>Implemented</p>	
<p>S 12-02</p> <p>Disabled Student Programs and Services(DSPS) – Student Eligibility</p> <p>During our testing of DSPS student files to determine compliance with eligibility requirements, we noted that some students did not have the verification of disability and educational limitation assessment on file.</p>	<p>We recommend that the District strengthen controls to ensure that it maintains adequate documentation to support compliance with the eligibility requirements of DSPS program and the Title V Implementing guidelines.</p>	<p>Implemented</p>	
<p>S 12-03</p> <p>To Be Arranged Hours (TBA)</p> <p>During testing of compliance with regard to TBA Hours, we noted that some courses were not published in the official catalog and in the official schedule of classes, including the number of TBA hours.</p>	<p>The District should implement proper procedures to ensure that all classes are open to the general public and advertise them in the official catalog and schedule of classes including the number of hours.</p>	<p>Implemented</p>	

