



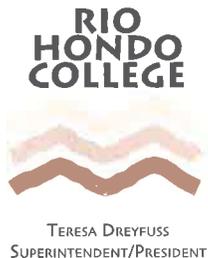
**Rio Hondo Community College District
Financial Statements and
Supplementary Information
Year ended June 30, 2014
*with Report of Independent Auditors
Including Reports on Compliance***

An Independently Owned Member
McGLADREY ALLIANCE



 **Vasquez**
& Company LLP
Certified Public Accountants and Business Consultants

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December 2, 2014

BOARD OF TRUSTEES

NORMA EDITH GARCÍA

GARY MENDEZ

The Board of Trustees
Rio Hondo College District

MARY ANN PACHECO

Dear Board Members:

VICKY SANTANA

I have received and reviewed the Annual Financial Report of the Rio Hondo Community College District for the fiscal year ended June 30, 2014. The report is hereby submitted to you for your acceptance.

MADLINE 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, 2014. 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, 2014, 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, 2014, 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 and supplementary information are the responsibility of management and were 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 and supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, 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.

Vacques & Company LLP

**Los Angeles, California
December 2, 2014**

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, 2014. 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, 2014**

STATEMENT OF NET POSITION (CONTINUED)

Condensed Statement of Net Position

(in thousands)

	June 30,		Change	Percentage Change
	2014	2013		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 51,093	\$ 34,740	\$ 16,353	47.1%
Accounts receivable, net	10,295	19,140	(8,845)	-46.2%
Prepaid expenses and other current assets	993	930	63	6.8%
Total current assets	<u>62,381</u>	<u>54,810</u>	<u>7,571</u>	<u>13.8%</u>
Noncurrent assets				
Restricted cash	49,331	54,281	(4,950)	-9.1%
Capital assets, net	205,412	207,792	(2,380)	-1.1%
Total noncurrent assets	<u>254,743</u>	<u>262,073</u>	<u>(7,330)</u>	<u>-2.8%</u>
Total assets	<u>317,124</u>	<u>316,883</u>	<u>241</u>	<u>0.1%</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,600	1,760	(160)	-9.1%
Total assets and deferred outflows of resources	<u>\$ 318,724</u>	<u>\$ 318,643</u>	<u>81</u>	<u>0.03%</u>
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable and accrued liabilities	\$ 24,768	\$ 23,594	1,174	5.0%
Compensated absences	700	719	(19)	-2.6%
Current portion of noncurrent liabilities	3,113	3,525	(412)	-11.7%
Total current liabilities	<u>28,581</u>	<u>27,838</u>	<u>743</u>	<u>2.7%</u>
Noncurrent liabilities				
Bonds payable, net of current portion	179,957	177,575	2,382	1.3%
Unamortized bond premium	3,351	3,612	(261)	-7.2%
Postemployment benefits other than pension (OPEB)	11,327	11,055	272	2.5%
Total noncurrent liabilities	<u>194,635</u>	<u>192,242</u>	<u>2,393</u>	<u>1.2%</u>
Total liabilities	<u>223,216</u>	<u>220,080</u>	<u>3,136</u>	<u>1.4%</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	3,736	4,716	(980)	-20.8%
Total liabilities and deferred inflows of resources	<u>226,952</u>	<u>224,796</u>	<u>2,156</u>	<u>1.0%</u>
Net position				
Net investment in capital assets	63,260	69,319	(6,059)	-8.7%
Restricted for:				
Debt service	7,212	6,614	598	9.0%
Capital projects	15,442	15,338	104	0.7%
Other special services	906	388	518	133.5%
Unrestricted	4,952	2,188	2,764	126.3%
Total net position	<u>91,772</u>	<u>93,847</u>	<u>(2,075)</u>	<u>-2.2%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 318,724</u>	<u>\$ 318,643</u>	<u>81</u>	<u>0.03%</u>

Current assets overall increased by approximately \$7.6 million. Within this category, cash and cash equivalents increased due to receipts at the end of the year, accounts receivable decreased specifically due to the receipts of the State apportionment deferrals. The increase in prepaid expenses and other current assets relates to payments made for next fiscal year services.

Net capital assets decreased by approximately \$2.4 million mainly due to fewer additions compared with prior year and increase of depreciation expenses of \$7.3 million this year compared to \$4.8 million in prior year.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position are presented on the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned whether received or not by the District, the operating and nonoperating expenses incurred whether paid or not by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations while budgeted for operations, are considered nonoperating revenue according to generally accepted accounting principles because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

Condensed Statement of Revenues, Expenses and Changes in Net Position

(in thousands)

	Year Ended June 30,		Change	Percentage Change
	2014	2013		
ASSETS				
Operating Revenues				
Tuition and fees	5,333	\$ 5,958	(625)	-10.5%
Grants and contracts, non-capital	32,205	30,693	1,512	4.9%
Sales and other operating revenues	910	592	318	53.7%
Total Operating Revenues	<u>38,448</u>	<u>37,243</u>	<u>1,205</u>	<u>3.2%</u>
Operating Expenses				
Salaries and benefits	65,330	63,075	2,255	3.6%
Supplies and maintenance	8,864	8,495	369	4.3%
Financial aid	20,844	20,436	408	2.0%
Depreciation	7,256	4,852	2,404	49.5%
Total Operating Expenses	<u>102,294</u>	<u>96,858</u>	<u>5,436</u>	<u>5.6%</u>
Operating loss	<u>(63,846)</u>	<u>(59,615)</u>	<u>(4,231)</u>	<u>7.1%</u>
Nonoperating Revenues (Expenses)				
State apportionments	57,716	49,634	8,082	16.3%
State bond capital construction fund	-	5,149	(5,149)	-100.0%
Local property taxes	14,139	14,149	(10)	-0.1%
Investment income	701	674	27	4.0%
Interest expense	(10,785)	(8,898)	(1,887)	21.2%
Net nonoperating revenues	<u>61,771</u>	<u>60,708</u>	<u>1,063</u>	<u>1.8%</u>
Change in net position	(2,075)	1,093	(3,168)	-289.8%
Net position - beginning of year	<u>93,847</u>	<u>92,754</u>	<u>1,093</u>	<u>1.2%</u>
Net position - end of year	<u>91,772</u>	<u>\$ 93,847</u>	<u>(2,075)</u>	<u>-2.2%</u>

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

Full-Time Equivalent Students (FTES) decreased by 107.8. As a result, tuition and fees decreased 10 percent due to reduction in enrollment.

Grants and contracts increased by \$1.5 million primarily due to an increase in the Student Success and Support Program funding from the State.

Salaries and benefits increased by \$2.3 million primarily due to step increases and a rise in medical premiums.

Supplies and maintenance costs increased by \$371 thousand due to the increase in the cost of goods and services.

Depreciation increased due to capital assets additions in prior year.

State apportionment increased by approximately \$2.9 million due to receipts of prior year deferred apportionments. The District's primary funding source is based upon apportionment received from the State of California. The primary basis for this apportionment is the calculation of FTES. From the District's final apportionment attendance report to the Chancellor's Office, the 2013-14 fiscal year FTES were 12,721 as compared to 12,829 in the 2012-13 fiscal year. These FTES represent resident and non-resident students' attendance.

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Year ended June 30, 2014 (Amounts in thousands)	Salaries and Benefits	Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	\$ 36,686	\$ 2,057	\$ -	\$ -	\$ 38,743
Academic support	7,225	1,291	-	-	8,516
Student services	10,265	826	-	-	11,091
Operation and maintenance of plant	3,060	2,299	-	-	5,359
Institutional support services	6,743	1,814	-	-	8,557
Community services and economic development	288	214	-	-	502
Ancillary services and auxiliary operations	484	330	-	-	814
Childcare center	579	33	-	-	612
Student aid	-	-	20,844	-	20,844
Depreciation expenses	-	-	-	7,256	7,256
Total \$	<u>65,330</u>	<u>\$ 8,864</u>	<u>\$ 20,844</u>	<u>\$ 7,256</u>	<u>\$ 102,294</u>

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

Year ended June 30, 2013 (Amounts in thousands)	Salaries and Benefits	Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	\$ 34,659	\$ 1,854	\$ -	\$ -	\$ 36,513
Academic support	7,152	964	-	-	8,116
Student services	10,156	882	-	-	11,038
Operation and maintenance of plant	3,287	2,263	-	-	5,550
Institutional support services	6,382	1,793	-	-	8,175
Community services and economic development	412	359	-	-	771
Ancillary services and auxiliary operations	429	350	-	-	779
Childcare center	598	30	-	-	628
Student aid	-	-	20,436	-	20,436
Depreciation expenses	-	-	-	4,852	4,852
Total	\$ 63,075	\$ 8,495	\$ 20,436	\$ 4,852	\$ 96,858

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.

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.

**Rio Hondo Community College District
Management's Discussion and Analysis
June 30, 2014**

STATEMENT OF CASH FLOWS (CONTINUED)

Condensed Statement of Cash Flows

(in thousands)

	<u>Year Ended June 30,</u>		Change	Percentage Change
	<u>2014</u>	<u>2013</u>		
Cash flows from operating activities	\$ 46,312	\$ 44,242	2,070	4.7%
Cash expended for operations	<u>(94,430)</u>	<u>(93,288)</u>	<u>(1,142)</u>	<u>1.2%</u>
Net cash used in operating activities	(48,118)	(49,046)	928	-1.9%
Net cash provided by non-capital financing activities	\$ 71,855	\$ 68,932	2,923	4.2%
Net cash used in capital and related financing activities	(13,035)	(26,532)	13,497	-50.9%
Net cash provided by investing activities	<u>701</u>	<u>673</u>	<u>28</u>	<u>4.2%</u>
Net cash in cash and cash equivalents	11,403	<u>(5,973)</u>	<u>17,376</u>	<u>-290.9%</u>
Cash and cash equivalents - beginning of year	<u>89,021</u>	<u>94,994</u>	<u>(5,973)</u>	<u>-6.3%</u>
Cash and cash equivalents - end of year	\$ 100,424	\$ 89,021	11,403	12.8%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had \$252 million in capital assets; less \$47 million accumulated depreciation for net capital assets of \$205 million. The District continues to work on the facilities projects that are part of the \$254 million bond master plan. The District spent approximately \$5.9 million on capital assets during the year, the majority of which relate to bond project expenses. Depreciation expenses totaled \$7.2 million during the year.

(Amount in thousands)

	Balance		Additions	Reductions	Balance	
	July 1, 2013				June 30, 2014	
Land and construction in progress	\$ 3,248	\$ -	\$ (1,123)	\$ 2,125		
Buildings and improvements	233,775	5,432	-	239,207		
Equipment and furniture	8,357	567	(7)	8,917		
Capitalized equipment	<u>1,742</u>	<u>-</u>	<u>-</u>	<u>1,742</u>		
Total	<u>247,122</u>	<u>5,999</u>	<u>(1,130)</u>	<u>251,991</u>		
Accumulated depreciation	<u>(39,330)</u>	<u>(7,256)</u>	<u>7</u>	<u>(46,579)</u>		
Capital assets, net	\$ 207,792	\$ (1,257)	\$ (1,123)	\$ 205,412		

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Obligations

At June 30, 2014, the District had \$197.7 million in outstanding long-term liabilities compared to \$195.7 million at June 30, 2013. The net increase of \$2 million is due to accreted interest and Other Postemployment Benefits obligation in accordance with the most recent actuarial study of retiree health liabilities.

(Amount in thousands)

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
General obligation bonds	\$ 181,099	\$ 5,496	\$ (3,525)	\$ 183,070
Unamortized bond premiums	3,612	-	(261)	3,351
Net OPEB obligation	11,054	4,815	(4,542)	11,327
Total Long-Term Obligations	\$ 195,765	\$ 10,311	\$ (8,328)	\$ 197,748

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 2013-14 was approved by the Board on June 11, 2014.

ECONOMIC FACTORS AFFECTING THE FUTURE OF RIO HONDO COMMUNITY COLLEGE DISTRICT

The District's economic condition is directly affected by the economic well-being of the State of California. The California Community College Chancellor's Office, The California Department of Finance, and the California Legislative Analyst's Office (LAO) have predicted strong growth in California's economic health. According to the November 2014, *California's Fiscal Outlook*, issued by the LAO, the resources available for Proposition 98 priorities in 2015-16 will be significantly higher than the current ongoing spending level, making the near-term outlook for schools and community colleges especially favorable.

In November 2012, Proposition 30, "The Schools and Local Public Safety Protection Act of 2012", was passed. This proposition temporarily raised the sales and use tax by 25 cents for four years and raised the income tax rate for high income earners for seven years to provide continuing funding for local school districts and community colleges. The Education Protection Account (EPA) was created in the State General Fund to receive and disburse these temporary tax revenues. The District is closely monitoring this temporary revenue source and the impact it will have once it begins to phase out in 2016 and fully expire in 2018.

Management will continue to provide information to the Board of Trustees and community on the financial condition of the District. Management will closely monitor the State budget and other pertinent information to ensure financial stability and to retain reserve levels required by Board policy and the State Chancellor's Office.

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, 2014

ASSETS	
Current assets	
Cash and cash equivalents	\$ 51,092,665
Accounts receivable, net	10,295,205
Prepaid expenses	303,492
Inventories	19,661
Advances to employees	528,912
Due from fiduciary funds	141,063
Total current assets	62,380,998
Noncurrent assets	
Restricted cash	49,330,995
Capital assets, net	205,411,841
Total noncurrent assets	254,742,836
Total assets	317,123,834
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,599,935
Total assets and deferred outflows of resources	\$ 318,723,769
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable and accrued liabilities	\$ 13,696,775
Accrued payroll and payroll taxes	8,150,365
Accrued interest	2,854,093
Due to fiduciary funds	66,000
Compensated absences	700,492
Current portion of noncurrent liabilities	3,113,050
Total current liabilities	28,580,775
Noncurrent liabilities	
Bonds payable, net of current portion	179,956,780
Unamortized bond premium	3,350,627
Postemployment benefits other than pension (OPEB)	11,327,480
Total noncurrent liabilities	194,634,887
Total liabilities	223,215,662
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	3,736,027
Total liabilities and deferred inflows of resources	226,951,689
Net position	
Net investment in capital assets	63,260,376
Restricted for:	
Debt service	7,212,016
Capital projects	15,441,580
Other special services	905,796
Unrestricted	4,952,312
Total net position	91,772,080
Total liabilities, deferred inflows of resources and net position	\$ 318,723,769

See notes to financial statements.

Rio Hondo Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014

Revenues

Operating revenues		
Student tuition and fees - gross	\$	13,889,166
Less scholarship discounts and allowance		<u>(8,555,939)</u>
Net tuition and fees		5,333,227
Grants and contracts, non-capital:		
Federal		20,829,278
State		8,582,567
Local		2,792,736
Sales and other operating revenues		<u>909,766</u>
Total operating revenues		<u><u>38,447,574</u></u>

Expenses

Operating expenses		
Salaries:		
Certificated		31,918,238
Classified		14,488,049
Employee benefits		18,923,474
Books and supplies		961,293
Services and other operating expenses		7,902,295
Financial aid and transfer		20,843,765
Depreciation		<u>7,256,521</u>
Total operating expenses		<u><u>102,293,635</u></u>
Operating loss		<u><u>(63,846,061)</u></u>

Nonoperating revenues (expenses)

State apportionments		57,715,865
Local property taxes		14,139,138
Investment income		700,976
Interest expense		<u>(10,785,235)</u>
Net nonoperating revenues		<u><u>61,770,744</u></u>

Change in net position (2,075,317)

Net position

Beginning of year		<u>93,847,397</u>
End of year	\$	<u><u>91,772,080</u></u>

See notes to financial statements.

Rio Hondo Community College District
Statement of Cash Flows
Year ended June 30, 2014

Cash flows from operating activities	
Tuition and fees	\$ 13,197,683
Federal grants and contracts	20,829,278
State grants and contracts	8,582,567
Local grants and contracts	2,792,736
Sales and other operating revenues	909,766
Payments to suppliers	(9,223,082)
Payments to/on-behalf of employees	(64,542,474)
Payments to/on-behalf of students	(20,843,765)
Repayment from affiliates	178,940
Net cash used in operating activities	<u>(48,118,351)</u>
Cash flows from non-capital financing activities	
State apportionments	57,715,865
Property taxes	14,139,138
Net cash provided by non-capital financing activities	<u>71,855,003</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(4,876,103)
Principal paid on capital debt	(3,525,000)
Interest paid on capital debt	(4,633,886)
Net cash used in capital and related financing activities	<u>(13,034,989)</u>
Cash flows from investing activities	
Interest on investments	<u>700,976</u>
Net change in cash and cash equivalents	11,402,639
Cash and cash equivalents - beginning of year	<u>89,021,021</u>
Cash and cash equivalents - end of year	<u><u>\$ 100,423,660</u></u>
Details of Cash and cash equivalents in the statement of net position:	
Cash and cash equivalents	\$ 51,092,665
Restricted cash	49,330,995
Total cash and cash equivalents	<u><u>\$ 100,423,660</u></u>

See notes to financial statements.

**Rio Hondo Community College District
Statement of Cash Flows (Continued)
Year ended June 30, 2014**

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (63,846,061)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	7,256,521
(Increase) decrease in assets:	
Receivables	8,844,916
Prepaid expenses	(222,696)
Inventories	2,147
Advances to employees	(22,143)
Due from fiduciary funds	178,940
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(138,945)
Accrued payroll and payroll taxes	555,273
Unearned revenue	(980,460)
Compensated absences	(18,619)
Other postemployment benefit obligation	272,776
Net cash used in operating activities	\$ <u>(48,118,351)</u>

Supplemental disclosure of cash flow information

Cash paid for interest during the year	\$ <u>4,943,626</u>
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See notes to financial statements.

**Rio Hondo Community College District
Statement of Fiduciary Net Position
June 30, 2014**

	Associated Student Body Fund	Auxiliary Services Organization Fund
ASSETS		
Cash in banks	\$ 238,949	\$ 1,065,943
Due from District	16,000	50,000
Accounts receivable	500	32,026
Total assets	\$ 255,449	\$ 1,147,969
LIABILITIES AND NET POSITION		
Liabilities - trust fund accounts	\$ 58,883	928,100
Accounts payable	40,821	42,354
Total liabilities	99,704	970,454
Net position		
Assigned	155,745	177,515
Total liabilities and net position	\$ 255,449	\$ 1,147,969

See notes to financial statements.

**Rio Hondo Community College District
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2014**

	<u>Associated Student Body Fund</u>	<u>Auxiliary Services Organization Fund</u>
Revenues		
Program income	\$ 186,037	\$ 336,362
Expenses		
Salaries	50,000	-
Activities and functions	111,992	308,266
	<u>161,992</u>	<u>308,266</u>
Change in net position	24,045	28,096
Net position		
Beginning of year	<u>131,700</u>	<u>149,419</u>
End of year	<u>\$ 155,745</u>	<u>\$ 177,515</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. 14. The District is classified as a charitable organization under Internal Revenue Code Section 115, and is therefore exempt from federal taxes.

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 non-operating 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, 2014.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

Certain reclassifications have been made to the 2013 amounts to conform to the 2014 presentation. Such reclassifications had no effect on the previously reported total change in net position.

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.

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.

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.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2014, the District's bank balance amounting to \$864,062 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, 2014, \$99,729,371 is invested in the Los Angeles County Treasurer's Pooled Investment Fund.

General Authorization

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

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

Cash and cash equivalents at June 30, 2014 are composed of the following:

Cash on hand and in banks (Unrestricted)	\$	694,289
Cash in County Treasury:		
Unrestricted	\$	50,398,376
Restricted cash for building construction		42,118,979
Restricted cash for debt service		<u>7,212,016</u>
Total cash in County Treasury		<u>99,729,371</u>
Total cash and cash equivalents	\$	<u><u>100,423,660</u></u>

NOTE 4 ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2014 is composed of the following:

Federal	\$	202,332
State		9,457,058
Local		168,916
Interest		94,252
Others		372,647
Total	\$	<u>10,295,205</u>

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, 2014

NOTE 6 CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Nondepreciable capital assets				
Land	\$ 2,125,023	\$ -	\$ -	\$ 2,125,023
Work-in-progress	1,122,705	-	(1,122,705)	-
Total	<u>3,247,728</u>	<u>-</u>	<u>(1,122,705)</u>	<u>2,125,023</u>
Depreciable capital assets				
Buildings and improvements	233,774,795	5,432,475	-	239,207,270
Equipment and furniture	8,357,428	566,333	(7,278)	8,916,483
Capitalized equipment	1,742,033	-	-	1,742,033
Total	<u>243,874,256</u>	<u>5,998,808</u>	<u>(7,278)</u>	<u>249,865,786</u>
Less: Accumulated depreciation				
Buildings and improvements	(30,832,053)	(6,906,004)	-	(37,738,057)
Equipment and furniture	(7,016,940)	(263,415)	7,278	(7,273,077)
Capitalized equipment	(1,480,732)	(87,102)	-	(1,567,834)
Total	<u>(39,329,725)</u>	<u>(7,256,521)</u>	<u>7,278</u>	<u>(46,578,968)</u>
Net depreciable capital assets	<u>204,544,531</u>	<u>(1,257,713)</u>	<u>-</u>	<u>203,286,818</u>
Capital assets, net	<u>\$ 207,792,259</u>	<u>\$ (1,257,713)</u>	<u>\$ (1,122,705)</u>	<u>\$ 205,411,841</u>

Total depreciation expense amounted to \$7,256,521 for the year ended June 30, 2014.

NOTE 7 UNEARNED REVENUE

Unearned revenue at June 30, 2014 consists of the following:

	Amount
Principal Apportionment	\$ 3,478,238
Student fees	137,789
Other	120,000
	<u>\$ 3,736,027</u>

Rio Hondo Community College District
Notes to Financial Statements
Year ended June 30, 2014

NOTE 8 COMPENSATED ABSENCES

A summary of compensated absences activity during the fiscal year ended June 30, 2014 is as follows:

	Amount
Balance beginning of year	\$ 718,887
Additions	-
Deductions	(18,395)
Balance end of year	\$ 700,492

NOTE 9 LONG-TERM LIABILITIES

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Accreted Interest	Reductions	Balance June 30, 2014	Due within one year
General Obligation Bonds						
2004 Series A General obligation bonds	\$ 3,650,000	\$ -	\$ -	\$ (1,780,000)	\$ 1,870,000	\$ 1,870,000
2005 General obligation refunding bonds	42,055,386	-	-	(1,480,000)	40,575,386	563,050
2009 Series B General obligations bonds	63,686,518	-	447,519	(265,000)	63,869,037 *	680,000
2010 Series C General obligations bonds	71,707,665	-	5,047,742	-	76,755,407 **	-
Unamortized bond premium	3,612,240	-	-	(261,613)	3,350,627	-
Total General Obligation Bonds	184,711,809	-	5,495,261	(3,786,613)	186,420,457	3,113,050
Other Liabilities						
Net OPEB obligation	11,054,704	4,815,114	-	(4,542,338)	11,327,480	-
	11,054,704	4,815,114	-	(4,542,338)	11,327,480	-
Total long-term liabilities	\$ 195,766,513	\$ 4,815,114	\$ 5,495,261	\$ (8,328,951)	\$ 197,747,937	\$ 3,113,050

* Include accreted interest amount of \$2,252,194 from issue date

** Include accreted interest amount of \$16,714,427 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, matured 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, 2014**

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, 2013	Additions	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2014
2004	2014	3.00 - 5.25%	\$ 58,000,000	\$ 3,650,000	\$ -	\$ -	(1,780,000)	\$ 1,870,000
2005	2024	4.46%	47,117,244	42,055,386	-	-	(1,480,000)	40,575,386
2009	2033	3.00 - 6.69%	64,996,844	63,686,518	-	447,519	(265,000)	63,869,037
2010	2042	6.29 - 6.99%	60,040,980	71,707,665	-	5,047,742	-	76,755,407
				<u>\$ 181,099,569</u>	<u>\$ -</u>	<u>\$ 5,495,261</u>	<u>\$ (3,525,000)</u>	<u>\$ 183,069,830</u>

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

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ <u>1,870,000</u>	\$ <u>49,087</u>	\$ <u>1,919,087</u>

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

Fiscal Year	Principal	Interest to Maturity	Total
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	3,890,000	1,459,838	5,349,838
2020-2024	22,560,000	4,109,144	26,669,144
2025	5,200,000	1,423,500	6,623,500
	<u>\$ 40,575,386</u>	<u>\$ 17,699,446</u>	<u>\$ 58,274,832</u>

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>
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	2,090,000	-	2,570,762	4,660,762
2020-2024	14,205,000	-	11,057,988	25,262,988
2025-2029	22,980,000	-	6,434,194	29,414,194
2030-2034	17,241,843	17,388,156	662,450	35,292,449
	<u>\$ 61,616,843</u>	<u>\$ 17,388,156</u>	<u>\$ 31,775,968</u>	<u>\$ 110,780,967</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>
2015	\$ -	\$ -	\$ -	\$ -
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	472,522	2,927,479	27,811,360	31,211,361
2030-2034	4,183,594	14,936,405	34,764,200	53,884,199
2035-2039	14,749,628	68,860,372	34,764,200	118,374,200
2040-2042	40,635,236	60,219,764	17,978,915	118,833,915
	<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, 2014, the unamortized premiums were \$3,350,627. The 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 2013-14 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 that meet the definition of a new member under Public Employees' Pension Reform Act (PEPRA) contribute 6% of their salary. Classic 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 2013-14 was 11.442%.

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
2014	\$ 2,422,930	8.25%	100%	\$ 1,557,220	11.442%	100%
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%

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, 2014, the balance in this plan amounted to \$105,915.

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		552,735
Adjustments to Annual Required Contribution		<u>(394,811)</u>
Annual OPEB Cost		4,815,114
Pay-as-you-go		<u>(4,542,338)</u>
Change in net OPEB obligation		272,776
Net OPEB obligation, beginning of year		<u>11,054,704</u>
Net OPEB obligation, end of year	\$	<u><u>11,327,480</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
6/30/2014	\$ 4,815,114	\$ 4,542,338	\$ 11,327,480
6/30/2013	4,795,105	2,015,282	11,054,704
6/30/2012	4,920,932	2,012,247	8,274,881

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 92%. 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, 2014, is 26 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, 2013 (Audited)
Total assets	\$ 2,626,889
Total liabilities	297,192
Net assets	\$ <u>2,329,697</u>
Total revenues	\$ 697,901
Total expenditures	514,753
Increase in net assets	\$ <u>183,148</u>

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:

	SCCCD June 30, 2014 (Audited)		ASCIP June 30, 2013 (Audited)
	Workers Compensation Insurance Fund	Retiree Health Insurance Fund	
Total assets	\$ 17,117,796	\$ 24,438,913	\$ 295,431,234
Total liabilities	744,467	-	160,686,476
Net position	\$ 16,373,329	\$ 24,438,913	134,744,758
Total revenues	\$ 7,846,475	\$ (1,818,994)	\$ 204,148,840
Total expenditures	7,336,242	1,500	193,787,486
Increase (decrease) in net position	\$ 510,233	\$ (1,820,494)	\$ 10,361,354

The above financial information was extracted from financial statements audited by another auditor who expressed an unmodified opinion on those financial statements.

Rio Hondo Community College District
Notes to Financial Statements
Year ended June 30, 2014

NOTE 14 FUNCTIONAL EXPENSES

Details of functional expenses for the year ended June 30, 2014 are as follows:

	Salaries and Benefits	Supplies, Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	\$ 36,685,860	\$ 2,057,348	\$ -	\$ -	\$ 38,743,208
Academic support	7,225,496	1,290,259	-	-	8,515,755
Student services	10,265,065	825,769	-	-	11,090,834
Operation and maintenance of plant	3,060,208	2,299,164	-	-	5,359,372
Institutional support services	6,743,169	1,814,266	-	-	8,557,435
Community services and economic development	287,821	214,319	-	-	502,140
Ancillary services and auxiliary operations	483,498	329,951	-	-	813,449
Childcare center	578,644	32,512	-	-	611,156
Student aid	-	-	20,843,765	-	20,843,765
Depreciation expenses	-	-	-	7,256,521	7,256,521
Total	<u>\$ 65,329,761</u>	<u>\$ 8,863,588</u>	<u>\$ 20,843,765</u>	<u>\$ 7,256,521</u>	<u>\$ 102,293,635</u>

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 \$151,424.

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

<u>Year</u>	<u>Amount</u>
2015	\$ 109,490
2016	21,403
2017	5,236
Total	<u>\$ 136,129</u>

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, 2014.

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 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2014 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 2, 2014, 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.

Rio Hondo Community College District
 Schedule of Postemployment Healthcare Benefits Funding Progress (Unaudited)
 Year ended June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL) *</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of covered payroll</u>
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%

* Entry age normal method

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, 2014**

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, 2014, 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>
Vicky Santana	President	12/2015
Madeline Shapiro	Vice President	12/2017
Gary Mendez	Clerk	12/2015
Mary Ann Pacheco	Member	12/2017
Norma Edith Garcia	Member	12/2017
Jaime "JJ" Magallon	Student Member	12/2015

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

**Rio Hondo Community College District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014**

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	\$ 17,658,414
Direct Loans	* 84.268	N/A	830,546
Federal Work Study Program	* 84.033	N/A	245,604
Federal Supplemental Educational Opportunity Grants	* 84.007	N/A	242,668
Postsecondary Education Scholarship For Veteran's Dependents	* 84.408	N/A	61,652
Total Student Financial Aid Cluster			<u>19,038,884</u>
Higher Education Act			
Trio Cluster:			
Upward Bound	84.047	N/A	2,349
Student Support Services	84.042	N/A	235,392
S 3 STEM	84.042A	N/A	182,911
Total Trio Cluster			<u>420,652</u>
Instructional Development and Educational Assessment for Student Success (IDEAS)	84.031S	N/A	615,729
Total Higher Education Act			<u>1,036,381</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	405,073
Perkins Title I-B, Regional Consortia	84.048	11-342-005	1,512
Total Career and Technical Education Act			<u>406,585</u>
Total U.S. Department of Education			<u>20,481,850</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	73,839
Pass through from California Community Colleges Chancellor's Office			
Foster Kinship Care Education	93.658	N/A	199,378
Total U.S. Department of Health and Human Services			<u>273,217</u>
National Science Foundation			
Scholarships		N/A	130,324
Total Federal Programs			<u>\$ 20,885,391</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, 2014**

SCHEDULE OF STATE FINANCIAL AWARDS

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue		
State Awards					
Disabled Student Program and Services	\$ 625,683	\$ -	\$ -	\$ 625,683	\$ 625,683
Extended Opportunity Program and Services	1,242,369	-	-	1,242,369	1,242,369
Cal Grant	1,320,368	-	-	1,320,368	1,320,368
Cal Works	319,255	-	-	319,255	319,255
Care Program	106,067	-	-	106,067	106,067
Child Development Center	11,647	-	-	11,647	11,647
Student Success (Credit)	943,243	-	-	943,243	943,243
Student Success (Noncredit)	127,896	-	-	127,896	127,896
Equal Employment Opportunity	6,883	-	-	6,883	6,883
Nursing Education	137,760	-	-	137,760	137,760
Apprenticeship	952,810	-	-	952,810	952,810
Part-time Faculty	288,623	-	-	288,623	288,623
Instructional Equipment and Library	159,081	-	159,081	-	-
Scheduled Maintenance and Repairs	159,084	-	159,084	-	-
Basic Skills	187,046	-	-	187,046	187,046
S.F.A.A.	492,969	-	-	492,969	492,969
Other Contributions and Grants	400,253	-	-	400,253	400,253
Total State Programs	\$ 7,481,037	\$ -	\$ 318,165	\$ 7,162,872	\$ 7,162,872

See accompanying notes to the supplementary information.

**Rio Hondo Community College District
Schedule of Workload Measures for State General Apportionment
Year ended June 30, 2014**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	72.93	-	72.93
2. Credit	400.20	-	400.20
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit	10.49	-	10.49
2. Credit	1,124.64	-	1,124.64
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,239.95	-	8,239.95
(b) Daily Census Contact Hours	682.91	-	682.91
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	509.22	-	509.22
(b) Credit	420.14	-	420.14
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	988.63	-	988.63
(b) Daily Census Contact Hours	347.57	-	347.57
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>12,796.68</u>	<u>-</u>	<u>12,796.68</u>
Supplemental Information			
E. In-Service Training Courses (FTES)	<u>257.18</u>	<u>-</u>	<u>257.18</u>
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	173.40	-	173.40
2. Credit	933.29	-	933.29
	<u>1,106.69</u>	<u>-</u>	<u>1,106.69</u>
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	<u>78.94</u>	<u>-</u>	<u>78.94</u>
<u>Centers FTES</u>			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

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, 2014**

Fund	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Fund	Internal Service Funds	Fiduciary Funds
June 30, 2014, Annual Financial and Budget Report (Form CCFS-311) Fund Balances	\$ 9,689,004	\$ 7,212,016	\$ 4,748,186	\$ 53,157,721	\$ 9,893,220	\$ 972,549
Adjustment and reclassification increasing fund balance:	-	-	-	-	-	-
Net adjustment and reclassifications	-	-	-	-	-	-
June 30, 2014 Audited Financial Statements Fund Balance	\$ 9,689,004	\$ 7,212,016	\$ 4,748,186	\$ 53,157,721	\$ 9,893,220	\$ 972,549

See accompanying notes to the supplementary information.

**Rio Hondo Community College District
Reconciliation of the ECS 84362 (50% Law) Calculation
June 30, 2014**

	Object/ TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	11,975,812	-	11,975,812	11,976,812	-	11,976,812
Other	1300	10,127,694	-	10,127,694	10,477,874	-	10,477,874
Total Instructional Salaries		22,103,506	-	22,103,506	22,454,686	-	22,454,686
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,644,856	-	4,644,856
Other	1400	-	-	-	809,883	-	809,883
Total Non-Instructional Salaries		-	-	-	5,454,739	-	5,454,739
Total Academic Salaries		22,103,506	-	22,103,506	27,909,425	-	27,909,425
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	9,476,506	-	9,476,506
Other	2300	-	-	-	481,110	-	481,110
Total Non-Instructional Salaries		-	-	-	9,957,616	-	9,957,616
Instructional Aides							
Regular Status	2200	1,467,362	-	1,467,362	1,541,290	-	1,541,290
Other	2400	256,911	-	256,911	263,823	-	263,823
Total Instructional Aides		1,724,273	-	1,724,273	1,805,113	-	1,805,113
Total Classified Salaries		1,724,273	-	1,724,273	11,762,729	-	11,762,729
Employee Benefits	3000	9,319,853	-	9,319,853	16,406,922	-	16,406,922
Supplies and Materials	4000	-	-	-	566,403	-	566,403
Other Operating Expenses	5000	-	-	-	6,113,073	-	6,113,073
Equipment Replacement	6420	-	-	-	6,781	-	6,781
Total Expenditures Prior to Exclusions		33,147,632	-	33,147,632	62,765,333	-	62,765,333
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	3,953,067	-	3,953,067	3,953,067	-	3,953,067
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	3,573	-	3,573
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,805,964	-	1,805,964
Objects to Exclude							
Rents and Leases	5060	-	-	-	644,927	-	644,927
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	912,363	-	912,363	912,363	-	912,363
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	203,681	-	203,681
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	364,634	-	364,634
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	38,259	-	38,259
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	28,687	-	28,687
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	66,946	-	66,946
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		4,865,430	-	4,865,430	7,955,155	-	7,955,155
Total for ECS 84362, 50% Law		28,282,202	-	28,282,202	54,810,178	-	54,810,178
Percent of CEE (Instructional Salary Cost / Total CEE)		51.60%	-	51.60%	100%	-	100%
50% of Current Expense of Education					27,405,089		

See accompanying notes to the supplementary information.

**Rio Hondo Community College District
 Proposition 30 Education Protection Account Report
 Year ended June 30, 2014**

Activity Classification	Object Code	Unrestricted			
EPA Proceeds:	8630	9,390,080			
Activity Classification	Object Code	Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 -	Capital Outlay 6000	Total
Instructional Activities	0100-5900	9,390,080	-	-	9,390,080
Total Expenditures for EPA		9,390,080	-	-	9,390,080
Revenues less Expenditures					-

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, 2014 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. Reconciliation of the ECS 84362 (50% Law) Calculation

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expensed for salaries of classroom instructors.

E. Proposition 30, Education Protection Account (EPA) 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, 2014, 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, 2014.

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 "Vazquez & Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California
December 2, 2014**

Report of Independent Auditors on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by 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, 2014. 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, 2014.

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.

A handwritten signature in black ink that reads "Vaqueria & Company LLP".

Los Angeles, California
December 2, 2014

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, 2014 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 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Uses of Health Fee Funds
Section 439	Proposition 39 Clean Energy
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, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2014.

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.

Vasquez & Company LLP

Los Angeles, California
December 2, 2014

**Rio Hondo Community College District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014**

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, 84.268 and 84.408	Student Financial Assistance Cluster of Programs

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

Auditee qualified as a low-risk auditee: Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Finding

None.

Section IV – State Award and Compliance Finding

None.

**Rio Hondo Community College District
 Status of Prior Year Findings and Questioned Costs
 Year ended June 30, 2014**

Finding	Recommendation	Status	Explanation if not Fully Implemented
State Award and Compliance Findings			
<p>S 13-01</p> <p>Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)</p> <p>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.</p>	<p>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.</p>	<p>Implemented</p>	

**Rio Hondo Community College District
 Status of Prior Year Findings and Questioned Costs (Continued)
 Year ended June 30, 2014**

<p>S 13-02</p> <p>California Work Opportunity & Responsibility to Kids (CalWORKs)</p> <p>The following were noted:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p>	<p>Implemented</p>	
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