Rio Hondo Community College District
Financial Statements and Supplementary Information

Year Ended June 30, 2015

with Report of Independent Auditors Including Reports on Compliance

An Independently Owned Member
McGladrey Alliance
McGladrey

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

Rio Hondo Community College District
Financial Statements and
Supplementary Information
Year Ended June 30, 2015
with Report of Independent Auditors
Including Reports on Compliance

RIO HONDO COLLEGE

Teresa Dreyfuss
Superintendent/President

December 2, 2015

The Board of Trustees
Rio Hondo College District

Dear Board Members:

I have received and reviewed the Annual Financial Report of the Rio Hondo Community College District for the fiscal year ended June 30, 2015. The report is hereby submitted to you for your acceptance.

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.

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, 2015. 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

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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, 2015, 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.

Auditors' 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, 2015, 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 the required supplementary information 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Implementation of New Accounting Standards

As discussed in Note 2, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* effective for the fiscal year ended June 30, 2015. As a result of this required implementation, the District's beginning net position was restated to retroactively report the net pension liability as of the beginning of the fiscal year. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 2, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report appears within this annual report.

Vasquez & Company LLP

Los Angeles, California
December 2, 2015

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, 2015. 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.

STATEMENT OF NET POSITION (CONTINUED)

Condensed Statement of Net Position

(in thousands)

	June 30, 2015	June 30, 2014*	Change	Percentage Change
ASSETS				
Current assets				
Cash and cash equivalents	$ **65,118**	$ 51,093	$ 14,025	27.4%
Accounts receivable, net	**5,080**	10,295	(5,215)	-50.7%
Prepaid expenses and other current assets	**915**	993	(78)	-7.9%
Total current assets	**71,113**	62,381	8,732	14.0%
Noncurrent assets				
Restricted cash	**48,171**	49,331	(1,160)	-2.4%
Capital assets, net	**203,211**	205,412	(2,201)	-1.1%
Total noncurrent assets	**251,382**	254,743	(3,361)	-1.3%
Total assets	**322,495**	317,124	5,371	1.7%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,440	1,600	(160)	-10.0%
Pension contributions subsequent to measurement date	4,435	-	4,435	100.0%
	5,875	1,600	4,275	267.2%
Total assets and deferred outflows of resources	$ **328,370**	$ 318,724	9,646	3.03%
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable and accrued liabilities	$ **30,903**	$ 24,768	6,135	24.8%
Unearned revenue	**6,239**	3,736	2,503	67.0%
Compensated absences	**766**	700	66	9.4%
Current portion of noncurrent liabilities	**2,027**	3,113	(1,086)	-34.9%
Total current liabilities	**39,935**	32,317	7,618	23.6%
Noncurrent liabilities				
Bonds payable, net of current portion	**183,813**	179,957	3,856	2.1%
Pension liability	**52,606**	-	52,606	100.0%
Unamortized bond premium	**3,089**	3,351	(262)	-7.8%
Postemployment benefits other than pension (OPEB)	**1,151**	11,327	(10,176)	-89.8%
Total noncurrent liabilities	**240,659**	194,635	46,024	23.6%
Total liabilities	**280,594**	226,952	53,642	23.6%
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual earnings on pension plan in	**14,378**	-	14,378	100.0%
Total liabilities and deferred inflows of resources	**294,972**	**226,952**	68,020	30.0%
Net position				
Net investment in capital assets	**63,849**	63,260	589	0.9%
Restricted for:				
Debt service	**7,689**	7,212	477	6.6%
Capital projects	**15,650**	15,442	208	1.3%
Other special services	**1,337**	906	431	47.6%
Unrestricted	**(55,127)**	4,952	(60,079)	-1213.2%
Total net position	**33,398**	91,772	(58,374)	-63.6%
Total liabilities, deferred inflows of resources and net position	$ **328,370**	$ 318,724	9,646	3.03%

*The 2014 information do not include the effects of the GASB 68 implementation.

STATEMENT OF NET POSITION (CONTINUED)

Current assets overall increased by approximately $8.7 million. Within this category, cash and equivalents increased due to receipts of State apportionment deferrals, accounts receivable decreased specifically due to reduction of these State Apportionment deferrals.

Net capital assets decreased by approximately $2.2 million mainly due to less addition of fixed assets compared with prior year and increase of depreciation expenses of $7.5 million this year compared to $7.2 million in prior year.

Decrease in unrestricted net position is due to the implementation of Government Accounting Standards Board (GASB) Statement No.68, *Accounting and Financial Reporting for Pensions*. A liability of $63 million was reported during the year as a result of implementation of this new accounting standard.

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.

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

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

	Year Ended June 30, 2015	2014*	Change	Percentage Change
ASSETS				
Operating Revenues				
Tuition and fees, net	**5,583**	$ 5,333	250	4.7%
Grants and contracts, non-capital	**41,678**	32,205	9,473	29.4%
Sales and other operating revenues	**183**	910	(727)	-79.9%
Total Operating Revenues	**47,444**	38,448	8,996	23.4%
Operating Expenses				
Salaries and benefits	**71,184**	65,330	5,854	9.0%
Supplies and maintenance	**11,080**	8,864	2,216	25.0%
Financial aid and transfer	**23,204**	20,844	2,360	11.3%
Depreciation	**7,569**	7,256	313	4.3%
Total Operating Expenses	**113,037**	102,294	10,743	10.5%
Operating loss	**(65,593)**	(63,846)	(1,747)	7.1%
Nonoperating Revenues (Expenses)				
State apportionments	**55,848**	57,716	(1,868)	-3.2%
Local property taxes	**14,799**	14,139	660	4.7%
Income from funds withdrawal - SCCCD JPA	**10,355**	-	10,355	100.0%
Investment income	**813**	701	112	16.0%
Interest expense	**(11,292)**	(10,785)	(507)	4.7%
Net nonoperating revenues	**70,523**	61,771	8,752	14.2%
Change in net position	4,930	(2,075)	7,005	-337.6%
Net position - beginning of year	**28,468**	93,847	(65,379)	-69.7%
Net position - end of year	**33,398**	$ 91,772	(58,374)	-63.6%

*The 2014 information do not include the effects of the GASB 68 implementation.

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

Increase in tuition and fee is due to an increased collection effort of past due fees by the District through the Chancellor's Office Tax Offset Program (COTOP).

Majority of sales and other operating revenues have decreased as a result of less income received from the former Redevelopment Agencies.

Grants and contracts increased primarily due to increases in Student Success and Support Program (SSSP) and Student Equity program.

Salaries and benefits increased by $5.8 million primarily due to step and column, negotiated salary increases, rise in medical premiums and an increase in class section offerings.

Supplies and maintenance costs increased $2.2 million due to increases in the cost of goods and repair and maintenance services.

Depreciation increased due to capital assets additions in the prior year.

State apportionment decreased by approximately $1.8 million due to a decrease in Full-Time Equivalent Students (FTES) and less prior year deferrals in 2013-14 compared with 2014-15 fiscal year. The District's primary funding source is based on apportionment received from the state of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). From the District's final apportionment attendance report to the Chancellor's Office, the 2014-15 fiscal year FTES were 12,676 as compared to 12,721 in the 2013-14 fiscal year. These FTES represent resident and non-resident students' attendance.

Income from funds withdrawal is due to transfer of funds from the Southern California Community College District JPA to the District's irrevocable trust to fund the OPEB liability.

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, 2015 (Amounts in thousands)	Salaries and Benefits	Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	$ 40,906	$ 2,940	$ -	$ -	$ 43,846
Academic support	7,719	1,753	-	-	9,472
Student services	11,105	908	-	-	12,013
Operation and maintenance of plant	3,311	3,390	-	-	6,701
Institutional support services	6,719	1,504	-	-	8,223
Community services and economic development	322	163	-	-	485
Ancillary services and auxiliary operations	478	381	-	-	859
Childcare center	624	42	-	-	666
Student aid	-	-	23,204	-	23,204
Depreciation expenses	-	-	-	7,569	7,569
Total	$ 71,184	$ 11,081	$ 23,204	$ 7,569	$ 113,038

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

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	$ 65,330	$ 8,864	$ 20,844	$ 7,256	$ 102,294

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.

STATEMENT OF CASH FLOWS (CONTINUED)

Condensed Statement of Cash Flows

(in thousands)

	Year Ended June 30, 2015	2014	Change	Percentage Change
Cash flows from operating activities	**$ 55,163**	$ 46,312	8,851	19.1%
Cash expended for operations	**(111,236)**	(94,430)	(16,806)	17.8%
Net cash used in operating activities	**(56,073)**	(48,118)	(7,955)	16.5%
Net cash provided by non-capital financing activities	**$ 70,648**	$ 71,855	(1,207)	-1.7%
Net cash used in capital and related financing activities	**(12,878)**	(13,035)	157	-1.2%
Net cash provided by investing activities	**11,168**	701	10,467	1493.2%
Net cash in cash and cash equivalents	**12,865**	11,403	1,462	12.8%
Cash and cash equivalents - beginning of year	**100,424**	89,021	11,403	12.8%
Cash and cash equivalents - end of year	**$ 113,289**	$ 100,424	12,865	12.8%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had $257 million in capital assets; less $54 million accumulated depreciation for net capital assets of $203 million. The District continues to work on the facilities projects that are part of the $254 million bond master plan. The District spent approximately $3.6 million on capital assets during the year, the majority of which relate to bond project expenses. Depreciation expenses totaled $7.5 million during the year.

(Amount in thousands)

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Land	$ 2,125	$ -	$ -	$ 2,125
Work-in-progress	-	1,753	-	1,753
Buildings and improvements	239,207	2,960	-	242,167
Equipment and furniture	8,916	655	(123)	9,448
Capitalized equipment	1,742	-	-	1,742
Total	251,990	5,368	(123)	257,235
Accumulated depreciation	(46,579)	(7,568)	123	(54,024)
Capital assets, net	$ 205,411	$ (2,200)	$ -	$ 203,211

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Obligations

At June 30, 2015, the District had $242.7 million in outstanding long-term liabilities compared to $197.7 million at June 30, 2014. The net increase of $45 million is due to the net effect of repayments of general obligation bonds and Other Postemployment Benefits obligation and recognition of net pension liability.

(Amount in thousands)

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
General obligation bonds	$ 183,070	$ 5,884	$ (3,114)	$ 185,840
Unamortized bond premiums	3,350	-	(261)	3,089
Net pension liability	-	52,606	-	52,606
Net OPEB obligation	11,327	4,544	(14,720)	1,151
Total Long-Term Obligations	$ 197,747	$ 63,034	$ (18,095)	$ 242,686

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 2014-15 was approved by the board on June 10, 2015.

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 2015, *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.

ASSETS		
Current assets		
Cash and cash equivalents	$	65,117,531
Accounts receivable, net		5,079,862
Prepaid expenses		257,298
Inventories		27,417
Advances to employees		538,810
Due from fiduciary funds		91,063
Total current assets		71,111,981
Noncurrent assets		
Restricted cash		48,171,188
Capital assets, net		203,211,351
Total noncurrent assets		251,382,539
Total assets		322,494,520
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		1,439,941
Pension contributions subsequent to measurement date		4,435,497
		5,875,438
Total assets and deferred outflows of resources	$	328,369,958
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued liabilities	$	18,825,156
Accrued payroll and payroll taxes		8,093,780
Accrued interest		3,967,783
Unearned revenue		6,239,208
Due to fiduciary funds		16,000
Compensated absences		766,458
Current portion of noncurrent liabilities		2,027,336
Total current liabilities		39,935,721
Noncurrent liabilities		
Bonds payable, net of current portion		183,813,156
Net pension liability		52,605,986
Unamortized bond premium		3,089,014
Postemployment benefits other than pension (OPEB)		1,150,736
Total noncurrent liabilities		240,658,892
Total liabilities		280,594,613
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual earnings on pension plan investments		14,377,762
Total liabilities and deferred inflows of resources		294,972,375
Net position		
Net investment in capital assets		63,849,270
Restricted for:		
Debt service		7,688,760
Capital projects		15,649,957
Other special services		1,336,567
Unrestricted		(55,126,971)
Total net position		33,397,583
Total liabilities, deferred inflows of resources and net position	$	328,369,958

See notes to financial statements.

Operating revenues		
Student tuition and fees - gross	$	14,833,642
Less scholarship discounts and allowance		(9,250,733)
Net tuition and fees		5,582,909
Grants and contracts, non-capital:		
Federal		22,982,526
State		14,901,077
Local		3,794,617
Sales and other operating revenues		183,439
Total operating revenues		47,444,568
Operating expenses		
Salaries:		
Certificated		33,848,235
Classified		15,606,671
Employee benefits		21,729,506
Books and supplies		1,142,936
Services and other operating expenses		9,938,408
Financial aid and transfer		23,203,702
Depreciation		7,568,866
Total operating expenses		113,038,324
Operating loss		(65,593,756)
Nonoperating revenues (expenses)		
State apportionments		55,848,396
Local property taxes		14,799,405
Income from funds withdrawal - SCCCD JPA		10,354,619
Investment income		813,102
Interest expense		(11,292,407)
Net nonoperating revenues		70,523,115
Change in net position		4,929,359
Net position		
Beginning of year, as restated		28,468,224
End of year	$	33,397,583

See notes to financial statements.

Cash flows from operating activities		
Tuition and fees	$	5,582,909
Federal grants and contracts		22,982,526
State grants and contracts		14,901,077
Local grants and contracts		3,794,617
Sales and other operating revenues		183,439
Other receipts		7,718,524
Payments to suppliers		(5,914,525)
Payments to/on-behalf of employees		(82,117,278)
Payments to/on-behalf of students		(23,203,702)
Net cash used in operating activities		(56,072,413)
Cash flows from non-capital financing activities		
State apportionments		55,848,396
Property taxes		14,799,405
Net cash provided by non-capital financing activities		70,647,801
Cash flows from capital and related financing activities		
Purchases of capital assets		(5,368,376)
Principal paid on capital debt		(3,113,051)
Interest paid on capital debt		(4,396,623)
Net cash used in capital and related financing activities		(12,878,050)
Cash flows from investing activities		
Income from funds withdrawal - SCCCD JPA		10,354,619
Interest on investments		813,102
		11,167,721
Net change in cash and cash equivalents		12,865,059
Cash and cash equivalents - beginning of year		100,423,660
Cash and cash equivalents - end of year	$	113,288,719

Details of Cash and cash equivalents in the statement of net postion:		
Cash and cash equivalents	$	65,117,531
Restricted cash		48,171,188
Total cash and cash equivalents	$	113,288,719

See notes to financial statements.

Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(65,593,756)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		7,568,866
Pension expense		(755,605)
(Increase) decrease in assets:		
Receivables		5,215,343
Prepaid expenses		46,194
Inventories		(7,756)
Advances to employees		(9,898)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities		5,128,381
Accrued payroll and payroll taxes		(56,585)
Unearned revenue		2,503,181
Compensated absences		65,966
Pension liability		(10,176,744)
Net cash used in operating activities	$	(56,072,413)

See notes to financial statements.

	Associated Student Body Fund	Auxiliary Services Organization Fund
ASSETS		
Cash in banks	$ 303,663	$ 1,035,446
Due from District	16,000	-
Accounts receivable	602	31,932
Total assets	$ 320,265	$ 1,067,378
LIABILITIES AND NET POSITION		
Liabilities - trust fund accounts	$ 64,913	938,189
Accounts payable	8,490	28,877
Total liabilities	73,403	967,066
Net position		
Assigned	246,862	100,312
Total liabilities and net position	$ 320,265	$ 1,067,378

See notes to financial statements.

	Associated Student Body Fund	Auxiliary Services Organization Fund
Revenues		
Program income	$ 236,764	$ 353,558
Expenses		
Salaries	50,000	-
Activities and functions	95,647	380,761
	145,647	380,761
Change in net position	91,117	(27,203)
Net position		
Beginning of year	155,745	127,515
End of year	$ 246,862	$ 100,312

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 amended 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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2015, the District adopted the following new Statements of the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of pensions that are provided by local governmental employers through pension plans that are administered through trusts that meet certain conditions. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

- GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Pensions

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

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, 2015.

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.

NOTE 3 CASH AND CASH EQUIVALENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with the County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorization

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

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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 Coorporate 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, 2015 are composed of the following:

Cash on hand and in banks (Unrestricted)		$ 649,563
Cash in County Treasury:		
Unrestricted	$ 64,467,968	
Restricted cash for building construction	40,482,428	
Restricted cash for debt service	7,688,760	
Total cash in County Treasury		112,639,156
Total cash and cash equivalents		$ 113,288,719

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.

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, 2015, the District's bank balance amounting to $1,119,504 was in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2015, $112,639,156 is invested in the Los Angeles County Treasurer's Pooled Investment Fund.

NOTE 4 ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2015 is composed of the following:

Federal	$	549,023
State		2,997,018
Local		389,723
Interest		94,252
Others		1,049,846
Total	$	5,079,862

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.

NOTE 6 CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Nondepreciable capital				
Land	$ 2,125,023	$ -	$ -	$ 2,125,023
Work-in-progress	-	1,753,173	-	1,753,173
Total	2,125,023	1,753,173	-	3,878,196
Depreciable capital assets				
Buildings and	239,207,270	2,960,216	-	242,167,486
Equipment and furniture	8,916,483	654,987	(123,616)	9,447,854
Capitalized equipment	1,742,033	-	-	1,742,033
Total	249,865,786	3,615,203	(123,616)	253,357,373
Less: Accumulated				
Buildings and	(37,738,057)	(7,167,131)	-	(44,905,188)
Equipment and furniture	(7,273,077)	(314,633)	123,616	(7,464,094)
Capitalized equipment	(1,567,834)	(87,102)	-	(1,654,936)
Total	(46,578,968)	(7,568,866)	123,616	(54,024,218)
Net depreciable capital	203,286,818	(3,953,663)	-	199,333,155
Capital assets, net	$ 205,411,841	$ (2,200,490)	$ -	$ 203,211,351

Total depreciation expense amounted to $7,568,866 for the year ended June 30, 2015.

NOTE 7 UNEARNED REVENUE

Unearned revenue at June 30, 2015 consists of the following:

	Amount
State revenues	$ 5,495,051
Student fees	572,068
Other	172,089
	$ 6,239,208

NOTE 8 COMPENSATED ABSENCES

Compensated absences at year end are as follows:

	Amount
Balance - beginning of year	$ 700,492
Additions	65,966
Balance - end of year	$ 766,458

NOTE 9 LONG-TERM LIABILITIES

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014	Additions	Accreted Interest	Reductions	Balance June 30, 2015	Due within one year
General Obligation Bonds						
2004 Series A General obligation bonds	$ 1,870,000	$ -	$ -	$ (1,870,000)	$ -	$ -
2005 General obligation refunding bonds	40,575,386	-	-	(563,051)	40,012,335	1,132,336
2009 Series B General obligations bonds	63,869,037	-	477,768	(680,000)	63,666,805 *	895,000
2010 Series C General obligations bonds	76,755,407	-	5,405,945	-	82,161,352 **	-
Unamortized bond premium	3,350,627	-	-	(261,613)	3,089,014	-
Total General Obligation Bonds	186,420,457	-	5,883,713	(3,374,664)	188,929,506	2,027,336
Other Liabilities						
Net pension liability	-	52,605,986	-	-	52,605,986	-
Net OPEB obligation	11,327,480	4,544,025	-	(14,720,769)	1,150,736	-
	11,327,480	4,544,025	-	(14,720,769)	53,756,722	-
Total long-term liabilities	$ 197,747,937	$ 4,544,025	$ 5,883,713	$ (18,095,433)	$ 242,686,228	$ 2,027,336

* Includes accreted interest amount of $2,729,962 from issue date
** Includes accreted interest amount of $22,120,372 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.

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. 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 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 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.

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, 2014	Additions	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2015
2004	2014	3.00 - 5.25%	$ 58,000,000	$ 1,870,000	$ -	$ -	$ (1,870,000)	$ -
2005	2024	4.46%	47,117,244	40,575,386	-	-	(563,051)	40,012,335
2009	2033	3.00 - 6.69%	64,996,844	63,869,037	-	477,768	(680,000)	63,666,805
2010	2042	6.29 - 6.99%	60,040,980	76,755,407	-	5,405,945	-	82,161,352
				$ 183,069,830	$ -	$ 5,883,713	$ (3,113,051)	$ 185,840,492

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

Fiscal Year	Principal	Interest to Maturity	Total
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	4,085,000	1,260,462	5,345,462
2021-2025	23,675,000	4,272,181	27,947,181
	$ 40,012,336	$ 14,783,908	$ 54,796,244

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

Fiscal Year	Principal	Accreted Interest *	Current Interest to Maturity	Total
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	2,290,000	-	2,472,712	4,762,712
2021-2025	15,695,000	-	10,321,938	26,016,938
2026-2030	25,160,000	-	5,191,006	30,351,006
2031-2034	11,281,843	17,388,156	168,975	28,838,974
	$ 60,936,843	$ 17,388,156	$ 28,947,005	$ 107,272,004

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

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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

Fiscal Year	Principal	Accreted Interest *	Current Interest to Maturity	Total
2016	$ -	$ -	$ -	$ -
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021-2025	-	-	6,952,840	6,952,840
2026-2030	1,484,969	7,420,030	34,764,200	43,669,199
2031-2035	8,849,850	34,280,152	34,764,200	77,894,202
2036-2040	27,274,174	71,975,826	33,129,140	132,379,140
2010-2042	22,431,987	33,268,012	5,708,295	61,408,294
	$ 60,040,980	$ 146,944,020	$ 115,318,675	$ 322,303,675

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

Unamortized premiums were $3,089,014. 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.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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 2014-15 was 8.88% 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 2014-15 was 11.77%.

Contributions to STRS and PERS

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

	STRS			PERS		
Year ended June 30,	Required Contribution	Employer Contribution	Percent Contributed	Required Contribution	Employer Contribution	Percent Contributed
2015	$ 2,728,727	8.88%	100%	$ 1,706,770	11.770%	100%
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%

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalPERS	$ 14,621,936
CalSTRS	37,984,050
Net Pension Liability	$ 52,605,986

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on the District's proportionate share of contributions to the pension plans relative to the contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 was as follows:

	Plan	
	CalPERS	CalSTRS
Proportion - June 30, 2014	0.12880%	0.0650%

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2015, the District recognized pension expense of $3,679,891. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date		
CalPERS	$ 1,706,770	$ -
CalSTRS	2,728,727	-
Net differences between projected and actual earnings on plan investments		
CalPERS	-	(5,024,262)
CalSTRS	-	(9,353,500)
Total	$ 4,435,497	$ (14,377,762)

$4,435,497 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2016	$ (3,594,440)
2017	(3,594,440)
2018	(3,594,440)
2019	(3,594,442)
2020	-
Thereafter	-

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

CalPERS

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by Entry Age and Service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' Membership Data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CalSTRS

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-Retirement Benefit Increase	2.00% simple for DB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the society of Actuaries. Additional information are provided in the CalSTRS July 1, 2006-June 30, 2010 Experience Analysis.

Discount Rate

CalPERS

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS have changed the methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance – PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles from the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation sensitive	5.00%	3.20%
Fixed income	20.00%	0.20%
Cash/Liquidity	1.00%	0.00%
Total	100.00%	

** 10-year geometric average*

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

CalPERS

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.50%
Net Pension Liability	$	25,650,214
Current Discount Rate		7.50%
Net Pension Liability	$	14,621,936
1% Increase		8.50%
Net Pension Liability	$	5,406,698

CalSTRS

Presented below is the net pension liability of employers and the state using the current discount rate of 7.60 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

3% Decrease (4.60%)	$	116,041,250
2% Decrease (5.60%)		84,872,450
1% Decrease (6.60%)		59,207,200
Current Discount Rate (7.60%)		37,984,050
1% Increase (8.60%)		20,287,800
2% Increase (9.60%)		5,418,400
3% Increase (10.60%)		(7,123,350)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and CalSTRS financial reports.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Payable to the Pension Plan

As of June 30, 2015, the District did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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, 2015, the balance in this plan amounted to $108,048.

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 298 retirees and beneficiaries currently receiving benefits and 446 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.

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.

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

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)	$	4,470,396
Interest on Net OPEB Obiligation		526,728
Adjustments to Annual Required Contribution		(453,099)
Annual OPEB Cost		4,544,025
Pay-as-you-go		(4,366,150)
Contribution to the Trust		(10,354,619)
Change in net OPEB obligation		(10,176,744)
Net OPEB obligation, beginning of year		11,327,480
Net OPEB obligation, end of year	$	1,150,736

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	Contribution to the Trust	Net OPEB Obligation
6/30/2015	$ 4,544,025	$ 4,366,150	$ 10,354,619	$ 1,150,736
6/30/2014	4,815,114	4,542,338	-	11,327,480
6/30/2013	4,795,105	2,015,282	-	11,054,704

Funding Status and Funding Progress
As of May 1, 2015, the most recent actuarial valuation date, the plan was funded to the amount of $10 million in the trust Account after transfer of funds from the Southern California Community College Districts retiree's JPA account. The actuarial accrued liability for benefits as well the unfunded actuarial accrued liability (UAAL) was $60,220,126. The covered payroll (annual payroll of active employees covered by the plan) was $68,562,240, and the ratio of the UAAL to the covered payroll was 88%. The District has established an irrevocable trust with Futuris Public Entity Investment Trust Program administered by Keenan & Associates. The District made an irrevocable contribution of $10 million during the year. 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 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.

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

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, 2015, is 25 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, 2014 (Audited)
Total assets	$	2,672,207
Total liabilities		186,488
Net assets	$	2,485,719
Total revenues	$	621,293
Total expenditures		465,271
Increase in net assets	$	156,022

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. SCCCD is governed by a Board of 16 elected voting members, elected alternates, and two ex-officio members. The Board controls the operations of SCCCD, 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 SCCCD's Board of directors and shares surpluses and deficits proportionately to its participation in SCCCD.

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 SCCCD and ASCIP for the most current information available is as follows:

	SCCCD June 30, 2015 (Audited)		ASCIP June 30, 2014 (Audited)
	Workers Compensation Insurance Fund	Retiree Health Insurance Fund	
Total assets	$ 17,486,672	$ 16,476,050	$ 338,924,559
Total liabilities	693,026	-	192,528,306
Net position	$ 16,793,646	$ 16,476,050	146,396,253
Total revenues	$ 9,230,057	$ (7,961,363)	$ 211,469,096
Total expenditures	8,810,031	1,500	199,817,601
Increase in net position	$ 420,026	$ (7,962,863)	$ 11,651,495

The above financial information has been audited by another auditor.

NOTE 14 FUNCTIONAL EXPENSES

Details of functional expenses for the year ended June 30, 2015 are as follows:

	Salaries and Benefits	Supplies, Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	$ 40,906,503	$ 2,940,493	$ -	$ -	$ 43,846,996
Academic support	7,719,320	1,752,536	-	-	9,471,856
Student services	11,104,940	907,995	-	-	12,012,935
Operation and maintenance of plant	3,310,841	3,390,580	-	-	6,701,421
Institutional support services	6,719,066	1,503,708	-	-	8,222,774
Community services and economic development	321,509	163,030	-	-	484,539
Ancillary services and auxiliary operations	477,870	381,088	-	-	858,958
Childcare center	624,363	41,914	-	-	666,277
Physical property and related acquisitions	-	-	-	-	-
Student aid	-	-	23,203,702	-	23,203,702
Depreciation expenses	-	-	-	7,568,866	7,568,866
Total	$ 71,184,412	$ 11,081,344	$ 23,203,702	$ 7,568,866	$ 113,038,324

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 $802,611.

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

Year	Amount
2016	$ 119,292
2017	97,526
2018	76,524
2019	63,628
2020	5,392
Total	$ 362,362

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, 2015.

NOTE 16 DEFERRED OUTFLOWS AND DEFERRED INFLOWS 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 and deferred inflows of resources in the financial statements.

The deferred outflow of resources on refunded debt 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.

The District also recognized deferred outflows and deferred inflows of resources related to pensions in connection with its implementation of GASB Statement No.68. See Note 10.

NOTE 17 PRIOR PERIOD ADJUSTMENT

The net position balance as of June 30, 2014 was restated to retroactively report the net pension liability as of the beginning of the fiscal year as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* which requires the reporting of net pension liability as of the beginning of the fiscal year.

Net position at beginning of year, as previously reported	$	91,772,080
Prior period adjustment:		
Adjustment to record retroactive effect of implementing GASB Statement No. 68		(63,303,856)
Net position at beginning of year, as restated	$	28,468,224

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 2, 2015, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) *	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of covered payroll
12/1/2012	-	$ 57,364,482	$ 59,991,448	-	$ 62,307,635	96%
5/1/2015	**10,354,619	$ 57,593,638	$ 60,220,126	-	$ 68,562,240	88%

* Entry age normal method
** Actuarial value of assets as of April 30, 2015.

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.

	Plan	
	CalPERS	**CalSTRS**
Proportion of the net pension liability	0.12880%	0.06500%
Proportionate Share of the net pension liability	$ 14,621,936	$ 37,984,050
Covered - employee payroll (1)	$ 68,562,240	$ 68,562,240
Proportionate Share of the net pension liability as percentage of covered-employee payroll	21.33%	55.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.38%	76.52%
Plan's Proportionate Share of Aggregate Employer Contributions (2)	$ 1,549,555	$ 2,375,750

Notes to Schedule

1 Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Pensionable earnings are not significantly different than total earnings for covered-employees.

2 The Plan’s proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period. The Plan’s proportionate share of aggregate employer contributions is based on the Plan’s proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

	Plan	
	CalPERS	**CalSTRS**
Contractually required contribution (actuarially determined)	$ 1,549,555	$ 2,375,750
Contributions in relation to the actuarially determined contributions	(1,546,561)	(2,375,569)
Contribution deficiency (excess)	$ 2,994	$ 181
Covered-employee payroll	$ 68,562,240	$ 68,562,240
Contributions as a percentage of covered-employee payroll	2.26%	3.47%

Notes to Schedule

CalPERS

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by Entry Age and Service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' Membership Data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

CalSTRS

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-Retirement Benefit Increase	2.00% simple for DB

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

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, 2015, the Board of Trustees is composed of the following members:

Federal Grantor/Program Name	CFDA	Pass-Through	Total Expenditures
US Department of Education:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program*	84.063	N/A	$ 18,096,084
Direct Loans*	84.268	N/A	685,719
Federal Work Study*	84.033	N/A	311,599
Federal Supplemental Educational Opportunity Grants*	84.007	N/A	370,175
Postsecondary Educational Scholarship For Veteran's Dependents*	84.408	N/A	85,193
Total Student Financial Aid Cluster			19,548,770
Higher Education Act			
Trio Cluster:			
Upward Bound	84.047	N/A	4,393
Student Support Services	84.042	N/A	247,496
S 3 STEM	84.042A	N/A	210,787
Total Trio Cluster			462,676
Instructional Development and Educational Assessment for Student Success (IDEAS)			
Hispanic Serving Institutions (HSI)	84.031S		534,789
Total Higher Education Act			534,789
Career and Technical Education Act			
Pass through from California Community Colleges Chancellor's Office			
Perkins IV, Title 1, Part C	84.048		549,440
Perkins Title 1-B, Teacher Pipeline			63,415
Total Career and Technical Education Act			612,855
Total U.S. Department of Education			20,696,414
US Department of Health and Human Services:			
Pass through from California Community Colleges Chancellor's Office			
Temporary Assistance for Nedy Families (TANF)	93.558		71,680
Foster Kinship Care Education	93.658		198,602
Total U.S. Department of Health and Human Services			270,282
National Science Foundation:			
Scholarships	12.33	N/A	108,424
Total Federal Programs			$ 21,075,120

* Current Year's major programs

N/A indicates not available and/or not applicable

See accompanying notes to the supplementary information.

SCHEDULE OF STATE FINANCIAL AWARDS

Program Name	Program Revenues: Cash Received	Accounts Receivable	Deferred Revenue	Total	Total Program Expenditures
State Awards					
Disabled Student Program and Services	$ 855,152	$ -	$ -	$ 855,152	$ 855,152
Extended Opportunity Program and Services	1,242,369	-	-	1,242,369	1,242,369
Cal Grant	1,546,358	-	-	1,546,358	1,546,358
Cal Works	308,560	-	-	308,560	308,560
Care Program	106,067	-	-	106,067	106,067
Child Development Center	11,647	-	-	11,647	11,647
Student Success (Credit)	2,097,300	-	364,109	1,733,191	1,733,191
Student Success (Noncredit)	185,674	-	76,927	108,747	108,747
Student Success (Student equity)	845,031	-	416,710	428,321	428,321
Equal Employment Opportunity	6,571	-	-	6,571	6,571
Nursing Education	175,187	-	-	175,187	175,187
Apprenticeship	952,812	-	-	952,812	952,812
Part-time Faculty	288,623	-	-	288,623	288,623
Temporary Assistance to Needy Family (TANF)	71,827	-	-	71,827	71,827
Scheduled Maintenance	1,673,944	-	799,181	874,763	874,763
Prop 39	357,353	-	28,912	328,441	328,441
Block grant	354,453	-	-	354,453	354,453
Basic Skills	160,139	-	-	160,139	160,139
S.F.A.A.	519,469	-	-	519,469	519,469
Total State Programs	**$ 11,758,536**	**$ -**	**$ 1,685,839**	**$ 10,072,697**	**$ 10,072,697**

See accompanying notes to the supplementary information.

Rio Hondo Community College District
Schedule of Workload Measures for State General Apportionment
Annual (Actual) Attendance
Year ended June 30, 2015

Categories	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	42.02	-	42.02
2. Credit	328.51	-	328.51
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	13.74	-	13.74
2. Credit	1,101.02	-	1,101.02
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,130.75	-	8,130.75
(b) Daily Census Contact Hours	859.82	-	859.82
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	229.28	-	229.28
(b) Credit	819.27	-	819.27
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	848.14	-	848.14
(b) Daily Census Contact Hours	303.89	-	303.89
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	12,676.44	-	12,676.44
Supplemental Information			
E. In-Service Training Courses (FTES)	346.36	-	346.36
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	142.69	-	142.69
2. Credit	952.76	-	952.76
	1,095.45	-	1,095.45
CCFS 320 Addendum			
CDCP Noncredit FTES	46.99	-	46.99
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

See accompanying notes to the supplementary information.

Fund	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Fund	Internal Service Funds	Fiduciary Funds
June 30, 2015, Annual Financial and Budget Report (Form CCFS-311) Fund Balances	$ 9,570,684	$ 7,688,760	$ 4,870,897	$ 51,187,322	$ 11,331,535	$ 1,067,641
Adjustment and reclassification increasing fund balance:						
	-	-	-	-	-	-
Net adjustment and reclassifications	-	-	-	-	-	-
June 30, 2015 Audited Financial Statements Fund Balance	$ 9,570,684	$ 7,688,760	$ 4,870,897	$ 51,187,322	$ 11,331,535	$ 1,067,641

See accompanying notes to the supplementary information.

Reconciliation of the ECS 84362 (50%Law) Calculation
For the Year Ended June 30, 2015

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	11,925,370	-	11,925,370	11,949,104	-	11,949,104
Other	1300	11,390,748	-	11,390,748	11,816,884	-	11,816,884
Total Instructional Salaries		23,316,118	-	23,316,118	23,765,988	-	23,765,988
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,462,589	-	4,462,589
Other	1400	-	-	-	672,337	-	672,337
Total Non-Instructional Salaries		-	-	-	5,134,926	-	5,134,926
Total Academic Salaries		23,316,118	-	23,316,118	28,900,914	-	28,900,914
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	10,157,011	-	10,157,011
Other	2300	-	-	-	520,895	-	520,895
Total Non-Instructional Salaries		-	-	-	10,677,906	-	10,677,906
Instructional Aides							
Regular Status	2200	1,556,893	-	1,556,893	1,600,595	-	1,600,595
Other	2400	350,411	-	350,411	357,534	-	357,534
Total Instructional Aides		1,907,304	-	1,907,304	1,958,129	-	1,958,129
Total Classified Salaries		1,907,304	-	1,907,304	12,636,035	-	12,636,035
Employee Benefits	3000	12,655,109	-	12,655,109	19,833,378	-	19,833,378
Supplies and Materials	4000	-	-	-	735,420	-	735,420
Other Operating Expenses	5000	-	-	-	6,313,602	-	6,313,602
Equipment Replacement	6420	-	-	-	2,914	-	2,914
Total Expenditures Prior to Exclusions		37,878,531	-	37,878,531	68,422,263	-	68,422,263
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits and Retirement Incentives	5900	7,174,147	-	7,174,147	7,174,147	-	7,174,147
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,641,364	-	1,641,364
Objects to Exclude							
Rents and Leases	5060	-	-	-	802,611	-	802,611
Lottery Expenditures					-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	958,938	-	958,938	958,938	-	958,938
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	178,741	-	178,741
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-		-
Other Operating Expenses and Services	5000	-	-	-	415,694	-	415,694
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	49,618	-	49,618
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	26,655	-	26,655
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-		-
Total Capital Outlay		-	-	-	-		-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		8,133,085	-	8,133,085	11,247,768	-	11,247,768
Total for ECS 84362, 50%Law		29,745,446	-	29,745,446	57,174,495	-	57,174,495
Percent of CEE (Instructional Salary Cost / Total CEE)		52.03%	-	52.03%	100%	-	100%
50% of Current Expense of Education					28,587,248		

See accompanying notes to the supplementary information.

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				11,504,115
Activity Classification	Object Code	Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 -	Capital Outlay 6000	Total
Instructional Activities	0100-5900	11,504,115	-	-	11,504,115
Total Expenditures for EPA		11,504,115	-	-	11,504,115
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, 2015 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 Government Accounting Standards Board (GASB) 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.

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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, 2015, 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, 2015.

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.

Vasquez & Company LLP

Los Angeles, California
December 2, 2015

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

The Honorable Board of Trustees
Rio Hondo Community College District

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Rio Hondo Community College District (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2015. 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, 2015.

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.

Vasquez & Company LLP

Los Angeles, California
December 2, 2015

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Independent Accountants' Report on State Compliance Requirements

The Honorable Board of Trustees
Rio Hondo Community College District

Report on State Compliance

We have audited the Rio Hondo Community College District's (the District) compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2015.

Management Responsibility

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

Auditor's Responsibility

Our responsibility is to express and opinion on the District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the state programs noted below. 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 with the requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Section 421 - Salaries of Classroom Instructors (50Percent 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 Courses
Section 430 - Scheduled Maintenance Program
Section 431 - Gann Limit Calculation
Section 435 - Open Enrollment
Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
Section 439 - Proposition 39 Clean Energy
Section 440 - Intersession Extension Program
Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475 - Disabled Student 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

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table above for the year ended June 30, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15. Accordingly, this report is not suitable for any other purpose

Vasquez & Company LLP

Los Angeles, California
December 2, 2015

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?	None reported
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?	None reported
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:

CFDA Numbers	Name of Federal Program or Cluster
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:	$632,254
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.

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