



**Rio Hondo Community College District
Measure A General Obligation Bonds
Performance Audit
*July 1, 2012 through June 30, 2013
With Report of Independent Auditors***

**Rio Hondo Community College District
Measure A General Obligation Bonds
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Report of Independent Auditors

**The Board of Trustees
The Citizens' Oversight Committee
Rio Hondo Community College District
Whittier, California**

We have conducted a performance audit of the Rio Hondo Community College District's (the "District") Measure A General Obligation Bond fund for the year ended June 30, 2013.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure A General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our audit does not provide a legal determination of the District's compliance with those requirements.

Management of the District is responsible for establishing and maintaining effective internal control. Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance with the performance requirements of Proposition 39. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all material respects, Rio Hondo Community College District expended Measure A General Obligation Bond fund for the year ended June 30, 2013 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.



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

OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Rio Hondo Community College District (the “District”) Measure A General Obligation Bonds (hereinafter referred to as the “Project Fund”) established for the bonds and the net Bond proceeds deposited into the Project Fund.
- Determine whether all expenditures from July 1, 2012 through June 30, 2013, charged to the Project Fund, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure A on March 2, 2004 (“Bond Projects”).
- Note any internal control system weaknesses and provide recommendation for improvement.
- Provide the District’s Board of Trustee and the Measure A Citizens’ Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39 (Prop 39).

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from July 1, 2012 to June 30, 2013. The expenditures tested included all objects and projects codes associated with the Bond Projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2013 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

This performance audit of the Measure A Bond Funds is required under Prop 39, passed by California voters in the November 7, 2000 general election, which amended the California Constitution. Provisions of Prop 39 require an annual, independent performance audit to ensure that the proceeds from the sale of school facilities bonds have been expended on specified projects, and not for teacher and administrator salaries and other school operating expenses.

On March 2, 2004, the voters of Whittier, Santa Fe Springs, Pico Rivera, El Monte, South El Monte and small sections of Norwalk and La Mirada cities approved Measure A, a facilities and equipment bond measure for the District . A Citizens’ Oversight Committee was appointed on April 14, 2004 to comply with the California Constitution and Education Code. The purpose of the Committee is to inform the public at least annually regarding the appropriate use of the bond proceeds.

On June 3, 2004, the first series of bonds in the amount of \$58,000,000 was issued. The total proceeds from the Bond issuance were received by the District (less the original bond issuance costs) and were intended to be used to finance the construction, acquisition, furnishing and equipping of District facilities.

BACKGROUND INFORMATION (CONTINUED)

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

Concurrent with the issuance of the Refunding Bonds, the District deposited part of the proceeds in the amount of \$46,371,376 from the Refunding Bonds funds into an escrow fund securing the respective maturities of the Series A Bonds to be refunded. 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 2004 Series A bonds were removed from the District's financial statements. The defeasance of the 2004 Series A debt resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This difference is reported in the District's financial statements as a deduction from bonds payable and is being amortized on a straight-line basis over the life of the bonds.

On March 11, 2009, the District issued \$64,996,844 of Measure A, Series B Bonds to fund the acquisition, construction, furnishing, equipping and improvement of capital facilities. Proceeds are to be used in the same purposes specified in the bond proposition submitted at the election.

On December 21, 2010, the District's Board of Trustees adopted a resolution to issue \$60,040,980 of Measure A, Series C Bonds for financing of the furnishing, equipping, acquisition, construction and improvement of District capital facilities for some or all of the purposes authorized at the 2004 election.

AUDIT PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and related details prepared by the District for the fiscal year ended June 30, 2013 for the Project Funds. We obtained the actual invoices and other supporting documentation for a sample of expenditures tested to determine compliance with Proposition 39 and Measure A as to the bond projects. Accordingly, we performed the following procedures:

- Reviewed Prop 39 provisions, Article 13A, Section 1(b)(3) of the California Constitution, Measure A bond literature and any other documents deemed necessary.
- Interviewed District staff and document the internal controls and procedures established for the administration of Measure A bond funds.
- Selected a sample of expenditures and reviewed documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the procurement requirements, as applicable.
- Reviewed sample of vendor invoices paid with Measure A bond funds to determine that expenditures were properly authorized and processed according to established internal control procedures and recorded under an approved project.

AUDIT PROCEDURES PERFORMED (CONTINUED)

- Compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- Verified that the funds were used for the construction, acquisition, furnishing and equipping of District facilities and not for teachers and school administrators' salaries or other operating expenses of the District.

RESULTS OF PROCEDURES

The District is obliged to put forward several projects for use with the bond funding. For the year ended June 30, 2013, the District incurred total expenditure of \$10,273,298 resulting to a cumulative expenditure of \$153,529,070 as of June 30, 2013. Please refer to Schedule 1 for the summary of project expenditures with the corresponding budget comparison.

Each project has been given a specific project identification number within the District's Building program.

Program management costs have been incurred and shared by all projects. The following outlines results of testing related to material expenditures incurred for the year ended June 30, 2013.

Project 1 – Fire Fighter Training Facility in Santa Fe Springs

Expenditures incurred were for the design services, land lease payment, infrastructure upgrade, paving and construction of confine spike.

Project 2 – Police Training Facility for Rio Hondo Police Academy

Expenditures incurred relate to payment of architect design and pre-construction management fees.

Project 3 – Nursing and Health Program Facilities

There were no expenditures incurred

Project 4 – State-of-the-art Technology Laboratories

There were no expenditures incurred

Project 5 – Student Services and Student Activities Building

Expenditures were incurred for the architect design services.

Project 6 – Not Used

Project 7 – Upgrade Campus Lighting and Alarm System

Expenditures were incurred for the purchase, installation and wiring of NUTech Fire Alarm System.

Project 8 – Replace/Repair Building Components

Expenditures were incurred for various materials, repairs, painting, removal and disposal of asbestos on different campus structures.

Project 9 – Campus-wide Efficiency Repairs

Expenditures were incurred for the installation of fire hydrant in various buildings.

RESULTS OF PROCEDURES (CONTINUED)

Project 10 – Campus Building Improvements

Expenditures incurred are related to payment of campus-wide improvements of various buildings.

Project 11 – Information Technology Upgrade

Expenditures were incurred for implementation and purchase of Management Information System and purchase and installation of networking equipment.

Project 12 – Campus-wide Infrastructure

Expenditures were incurred for improvement of roadways, walkways, grounds, parking, fencing, signage and overall campus access, including purchase of land on the North side of the campus for a perimeter road around the campus.

Project 13 – Equipments and Furnishings

Expenditures incurred relate to purchase and installation of equipment and furnishings at facilities being constructed, repaired or improved.

Project 14 – El Monte and South Whittier

Expenditures were incurred for the purchase of land, construction and improvements of South El Monte and South Whittier Educational Centers to expand the ability of the District to deliver instruction and services to the communities in the El Monte and South Whittier areas.

Project 15 – Facilities Master Plan

Expenditures are for the implementation components of the Facilities Master Plan, such as environmental impact reports, soil testing, aerial photography and other compliance reports.

Project 16 – Obsolete Facilities

Expenditures were incurred for the demolition of obsolete facilities.

Project 17 – Relocation/Acquisition of Temporary Facilities

This includes expenditures incurred for rental of mobile classes and redesign for swing space.

Project 18 – Child Development Center

Expenditures incurred were for the initial planning of the Child Development Center.

Project 19 – Central Plant and Maintenance

This includes expenditures incurred for construction and construction management.

Project 20 – Lot A Bridge

This includes expenditures incurred for building a pedestrian bridge connecting Lot A to the rest of the College.

Project 21 – Landscape

This includes expenditures incurred for planning and design of campus-wide landscape.

Project 22 – Seismic Retrofit

This includes expenditures incurred for hiring a consultant to review the structure of several campus buildings.

RESULTS OF PROCEDURES (CONTINUED)

Project 23 – Facilities Building/Garage/Fuel Tank

This includes expenditures incurred to remove and relocate garage and fuel tank of the facilities building in order to accommodate the central plant site.

Project 24 – CRC-Bond Portion

This includes expenditures incurred for the cost of bond portion of construction, construction management and furniture acquisition.

Project 25 – Applied Technology Remodel-Bond Portion

This includes expenditures incurred for tenant improvements and OCIP program.

Project 26 – P.E. Complex – Bond Portion

This includes expenditures incurred for the design services.

Project 27 – Fine Arts Complex – Bond Portion

This includes expenditures incurred for construction of the new Fine Arts building and renovation of Wray Theater.

Project Management

This includes expenditures incurred for amounts paid to the project management firm for services rendered in overseeing the building programs of the District. It also includes purchase of equipment and supplies.

Consultants

This includes expenditures incurred for amounts paid to the project consultants for marketing, legal, labor administration and compliance.

Other Expenditures (including Contingencies)

This includes expenditures that would benefit most of the projects and could not be allocated directly to any specific project.

CONCLUSION

The results of our tests indicated that, in all material respects, Rio Hondo Community College District has properly accounted for the expenditures of the funds held in Revenue Bond Construction Fund-Measure A General Obligation Bonds and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Revenue Bond Construction Fund and expended by the District were not used for teachers and school administrators' salaries or other operating expenditures.

**Rio Hondo Community College District
Measure A General Obligation Bonds
Schedule of Findings and Recommendations
Year ended June 30, 2013**

There were no findings and recommendations for the year ended June 30, 2013.

**Rio Hondo Community College District
Measure A General Obligation Bonds
Schedule 1 – Summary of Project Expenditures**

| Project | | Budget | July 1, 2004 to June 30, 2012 | July 1, 2012 to June 30, 2013 | Cumulative Total |
|----------------|---|-----------------------|--|--|-----------------------------|
| Project 1 | Fire fighter training facility in Santa Fe Springs | \$ 8,300,000 | \$ 2,778,239 | \$ 256,095 | \$ 3,034,334 |
| Project 2 | Police training facility for Rio Hondo Police Academy | 21,900,000 | 13,234,126 | 198,220 | 13,432,346 |
| Project 3 | Nursing and health programs facilities | - | - | - | - |
| Project 4 | State-of-the-art technology laboratories | 2,500,000 | - | - | - |
| Project 5 | Student services and student activities building | 20,000,000 | 19,458,779 | 186,307 | 19,645,086 |
| Project 6 | Not used | - | - | - | - |
| Project 7 | Upgrade campus lighting and alarm system | * | - | - | - |
| Project 8 | Replace/repair building components | * | - | - | - |
| Project 9 | Campus-wide efficiency repairs | * | - | - | - |
| Project 10 | Campus building improvements | * | 2,364,318 | 127,415 | 2,491,733 |
| Project 11 | Information technology upgrade | 16,000,000 | 14,457,785 | 910,577 | 15,368,362 |
| Project 12 | Campus-wide infrastructure, roads, walks and walls | 33,800,000 | 20,216,044 | 909,348 | 21,125,392 |
| Project 13 | Campus equipment and furnishings | 4,000,000 | 188,600 | 63,664 | 252,264 |
| Project 14 | El Monte and South Whittier | 8,425,000 | 5,474,341 | 2,325,438 | 7,799,779 |
| Project 15 | Facilities master plan | 16,575,000 | 1,312,026 | 2,305 | 1,314,331 |
| Project 16 | Demolition of obsolete facilities | 2,500,000 | 285,288 | - | 285,288 |
| Project 17 | Relocation/acquisition of temporary facilities | 5,000,000 | 1,257,206 | 2,324 | 1,259,530 |
| Project 18 | Child development center | 2,000,000 | 81,521 | - | 81,521 |
| Project 19 | Central plant | 16,500,000 | 13,540,496 | 136,099 | 13,676,595 |
| Project 20 | Lot A bridge | 1,500,000 | 152,662 | - | 152,662 |
| Project 21 | Landscape | 6,000,000 | 3,768,833 | 4,144 | 3,772,977 |
| Project 22 | Seismic retrofit | 4,700,000 | 630,066 | 98,024 | 728,090 |
| Project 23 | Facilities building/garage/fuel tank | 2,000,000 | 1,826,526 | - | 1,826,526 |
| Project 24 | Learning Resource Center (LRC) - bond portion | 10,000,000 | 9,643,049 | 3,265 | 9,646,314 |
| Project 25 | Applied technology remodel-bond portion | 4,300,000 | 4,137,095 | 124,857 | 4,261,952 |
| Project 26 | P.E. complex-bond portion | 7,500,000 | 4,100,302 | 2,973,213 | 7,073,515 |
| Project 27 | Fine Arts Complex-bond portion | 6,800,000 | 116,000 | 271,422 | 387,422 |
| | Program management | 14,232,500 | 12,381,020 | 802,643 | 13,183,663 |
| | Consultants/Surveyors/Geotech and soil testing | 12,784,000 | 10,529,770 | 858,418 | 11,388,188 |
| | Other expenditures | 20,683,500 | 1,321,680 | 19,517 | 1,341,197 |
| | | \$ 254,000,000 | \$ 143,255,772 | \$ 10,273,298 | \$ 153,529,070 |

* The budget for project numbers 6 to 10 is a combined total of \$6,000,000.

