Rio Hondo Community College District
Financial Statements and
Supplementary Information
Year Ended June 30, 2016
with Report of Independent Auditors
Including Reports on Compliance

An independently owned member
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Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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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, 2016, 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, 2016, and the changes in its financial 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 audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance),* 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.

The President's message has not been subjected to the auditing procedures applied in the audit of financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 2, 2016, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. That report appears within this annual report.

Vasquez & Company LLP

Los Angeles, California
December 2, 2016

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, 2016. 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 purposes.

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, 2016	June 30, 2015	Change	Percentage Change
ASSETS				
Current assets				
Cash and cash equivalents	$ **85,290**	$ 65,118	$ 20,172	31.0%
Restricted cash	**39,167**	48,171	(9,004)	-18.7%
Accounts receivable, net	**4,226**	5,080	(854)	-16.8%
Prepaid expenses and other current assets	**703**	915	(212)	-23.2%
Total current assets	**129,386**	119,284	10,102	8.5%
Noncurrent assets				
Capital assets, net	**208,053**	203,211	4,842	2.4%
Total assets	**337,439**	322,495	14,976	4.6%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,280	1,440	(160)	-11.1%
Deferred outflows related to pensions	8,508	4,435	4,073	100.0%
	9,788	5,875	3,913	66.6%
Total assets and deferred outflows of resources	$ **347,227**	$ 328,370	18,889	5.74%
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable and accrued liabilities	$ **33,038**	$ 30,903	2,135	6.9%
Unearned revenue	**9,659**	6,239	3,420	54.8%
Compensated absences	**750**	766	(16)	-2.1%
Current portion of noncurrent liabilities	**5,155**	2,027	3,128	154.3%
Total current liabilities	**48,602**	39,935	8,667	21.7%
Noncurrent liabilities				
Bonds payable, net of current portion	**184,958**	183,813	1,145	0.6%
Net pension liability	**62,709**	52,606	10,103	100.0%
Unamortized bond premium	**2,827**	3,089	(262)	-8.5%
Postemployment benefits other than pension (OPEB)	**2,399**	1,151	1,248	108.4%
Total noncurrent liabilities	**252,893**	240,659	12,234	5.1%
Total liabilities	**301,494**	280,594	20,901	7.4%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	**9,191**	14,378	(5,187)	100.0%
Total liabilities and deferred inflows of resources	**310,685**	294,972	15,713	5.3%
Net position				
Net investment in capital assets	**47,178**	63,849	(16,671)	-26.1%
Restricted for:				
Debt service	**7,817**	7,689	128	1.7%
Capital projects	**22,595**	15,650	6,945	44.4%
Other special services	**1,762**	1,337	425	31.8%
Unrestricted	**(42,810)**	(55,127)	12,317	-22.3%
Total net position	**36,542**	33,398	3,144	9.4%
Total liabilities, deferred inflows of resources and net position	$ **347,227**	$ 328,370	18,857	5.74%

STATEMENT OF NET POSITION (CONTINUED)

Total current assets increased overall by approximately $10.1 million. Within this category, cash and cash equivalents increased due to receipts of State apportionment deferral and the receipt of one time mandated funds of $6.9 million. Restricted cash decreased by $9.0 million because of capital acquisitions paid from bond proceeds during the year. Accounts receivable has decreased specifically due to reduction of State Apportionment deferrals.

Net capital assets increased by approximately $4.8 million primarily due to purchase of land for the Fire Academy in Santa Fe Spring and completion of the P.E complex. Total additions during the year amounted $12.7 million compared to $5.3 million in prior year. Depreciation expense increased to $7.9 million this year compared to $7.5 million in prior year.

Unearned revenue increased by approximately $3.4 million primarily due deferral of special programs such as Student Success and Support Program, Student Equity, Scheduled Maintenance, Prop 39 and fees collected for summer 2016.

The net pension liability, which reflect the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) net pension liabilities, increased by $10.1 million during the year primarily because of lower than projected investment earnings.

Deferred outflows of resources increased by $4 million and deferred inflows of resources decreased by $5.8 million due to net movement of these resources as a result of actuarial valuation by CalSTRS and CalPERS respectively.

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 apportionments 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, 2016	2015	Change	Percentage Change
ASSETS				
Operating Revenues				
Tuition and fees, net	**$ 5,293**	$ 5,583	(290)	-5.2%
Grants and contracts, non-capital	**53,212**	41,678	11,534	27.7%
Sales and other operating revenues	**308**	183	125	68.3%
Total Operating Revenues	**58,813**	47,444	11,369	24.0%
Operating Expenses				
Salaries and benefits	**79,538**	71,184	8,354	11.7%
Supplies and maintenance	**12,767**	11,080	1,687	15.2%
Financial aid and transfer	**22,725**	23,204	(479)	-2.1%
Depreciation	**7,917**	7,569	348	4.6%
Total Operating Expenses	**122,947**	113,037	9,910	8.8%
Operating loss	**(64,134)**	(65,593)	1,459	7.1%
Nonoperating Revenues (Expenses)				
State apportionments	**61,871**	55,848	6,023	10.8%
Local property taxes	**14,982**	14,799	183	1.2%
Income from funds withdrawal - SCCCD JPA	**-**	10,355	(10,355)	100.0%
Investment income	**1,034**	813	221	27.2%
Interest expense	**(10,609)**	(11,292)	683	-6.0%
Net nonoperating revenues	**67,278**	70,523	(3,245)	-4.6%
Change in net position	3,144	4,930	(1,786)	-36.2%
Net position - beginning of year	**33,398**	28,468	4,930	17.3%
Net position - end of year	**$ 36,542**	$ 33,398	3,144	9.4%

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

Tuition and fee has decreased due to deferred fees collected for summer 2016 and a decrease in collection of past due fees by the District through the Chancellor's Office Tax Offset Program (COTOP) this year compared with prior year.

Grants and contracts increased by $11.5 million due to increased state funding to special categorical programs primarily Student Success and Support Program (SSSP), Student Equity program and Scheduled Maintenance.

Salaries and benefits increased by $8.3 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 $1.6 million due to increased spending on instructional supplies for use in the classroom, supply inventory purchases and maintenance by the Facilities Department, and non-instructional supplies for use in offices and support departments.

Depreciation has increased by $0.3 million due to capital assets additions in during the year.

State apportionment increased by approximately $6 million due to increase in base funding including Full Time Faculty hiring allocation. 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 2nd period attendance report to the Chancellor's Office, the 2015-16 fiscal year FTES were 12,528 as compared to 12,529 in the 2014-15 2nd period fiscal year. These FTES represent resident students' attendance.

Income from funds withdrawal in 2015 was due to a transfer of funds from the Southern California Community College District JPA to the District's irrevocable trust to fund the OPEB liability in prior year. There were no movements of funds during the year.

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:

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

Year ended June 30, 2016 (Amounts in thousands)	Salaries and Benefits	Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	$ 47,366	$ 5,109	$ -	$ -	$ 52,475
Academic support	7,479	1,529	-	-	9,008
Student services	12,720	1,163	-	-	13,883
Operation and maintenance of plant	3,189	2,168	-	-	5,357
Institutional support services	7,459	1,867	-	-	9,326
Community services and economic development	162	163	-	-	325
Ancillary services and auxiliary operations	492	495	-	-	987
Childcare center	671	40	-	-	711
Student aid	-	233	22,725	-	22,958
Depreciation expenses	-	-	-	7,917	7,917
Total	$ 79,538	$ 12,767	$ 22,725	$ 7,917	$ 122,947

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	41	-	-	665
Student aid	-	-	23,204	-	23,204
Depreciation expenses	-	-	-	7,569	7,569
Total	$ 71,184	$ 11,080	$ 23,204	$ 7,569	$ 113,037

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.

STATEMENT OF CASH FLOWS (CONTINUED)

Condensed Statement of Cash Flows

(in thousands)

	Year Ended June 30, 2016	2015	Change	Percentage Change
Cash flows from operating activities	**$ 63,086**	$ 55,163	7,923	14.4%
Cash expended for operations	**(108,599)**	(111,236)	2,637	-2.4%
Net cash used in operating activities	**(45,513)**	(56,073)	10,560	-18.8%
Net cash provided by non-capital financing activities	**$ 76,852**	$ 70,648	6,204	8.8%
Net cash used in capital and related financing activities	**(21,205)**	(12,878)	(8,327)	64.7%
Net cash provided by investing activities	**1,034**	11,168	(10,134)	-90.7%
Net increase in cash in cash and cash equivalents	**11,168**	12,865	(1,697)	-13.2%
Cash and cash equivalents - beginning of year	**113,289**	100,424	12,865	12.8%
Cash and cash equivalents - end of year	**$ 124,457**	$ 113,289	11,168	9.9%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had $270 million in capital assets; less $62 million accumulated depreciation for net capital assets of $208 million. The District continues to work on the facilities projects that are part of the $254 million bond facility master plan. The District spent approximately $14.5 million on capital assets during the year, the majority of which relate to bond project expenses. Depreciation expenses totaled $7.9 million during the year.

(Amount in thousands)

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Land	$ 2,125	$ 5,585	$ -	$ 7,710
Work-in-progress	1,753	752	(1,753)	752
Buildings and improvements	242,167	7,311	-	249,478
Equipment and furniture	9,448	864	-	10,312
Capitalized equipment	1,742	-	-	1,742
Total	257,235	14,512	(1,753)	269,994
Accumulated depreciation	(54,024)	(7,917)	-	(61,941)
Capital assets, net	$ 203,211	$ 6,595	$ (1,753)	$ 208,053

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Obligations

At June 30, 2016, the District had $258.0 million in outstanding long-term obligations compared to $242.7 million at June 30, 2015. The overall net increase of $15.3 million is due to accretion of interest, net of repayments of General Obligation Bonds, increase in Other Postemployment Benefits obligation (OPEB) and Net Pension Liability for CalSTRS and CalPERS.

(Amount in thousands)

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
General obligation bonds	$ 185,840	$ 6,300	$ (2,027)	$ 190,113
Unamortized bond premiums	3,089	-	(262)	2,827
Net pension liability	52,606	10,103	-	62,709
Net OPEB obligation	1,151	4,758	(3,510)	2,399
Total Long-Term Obligations	$ 242,686	$ 21,161	$ (5,799)	$ 258,048

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 2016-17 was approved by the board on June 8, 2016.

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. Through the California Community College Chancellor's Office, the District receives over 70 percent of its combined General Fund revenues from State apportionments, local property taxes including redevelopment agency allocations and the Education Protection Account (EPA). These sources along with student paid enrollment fees make up the District's general apportionment, the main funding support for California Community Colleges.

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 temporary increase in sales and use tax expired during the year and district is closely monitoring this impact.

In November 2016, Proposition 55, "The California Extension of Proposition 30 Income Tax Increase Initiative" was passed extending the personal income tax increase for higher earners for 12 years through 2030 to continue providing funding for K-12 and Community Colleges.

ECONOMIC FACTORS AFFECTING THE FUTURE OF RIO HONDO COMMUNITY COLLEGE DISTRICT (CONTINUED)

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.

Rio Hondo Community College District
Statement of Net Position
June 30, 2016

ASSETS		
Current assets		
Cash and cash equivalents	$	85,290,489
Restricted cash		39,166,959
Accounts receivable, net		4,226,201
Prepaid expenses		8,575
Inventories		24,225
Advances to employees		578,555
Due from fiduciary funds		91,063
Total current assets		129,386,067
Noncurrent assets		
Capital assets, net		208,053,082
Total assets		337,439,149
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		1,279,947
Deferred outflows related to pensions		8,508,459
		9,788,406
Total assets and deferred outflows of resources	$	347,227,555
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued liabilities	$	22,569,654
Accrued payroll and payroll taxes		8,492,641
Accrued interest		1,958,979
Unearned revenue		9,659,310
Due to fiduciary funds		16,000
Compensated absences		750,144
Current portion of noncurrent liabilities		5,155,000
Total current liabilities		48,601,728
Noncurrent liabilities		
Bonds payable, net of current portion		184,958,122
Net pension liability		62,708,583
Unamortized bond premium		2,827,401
Postemployment benefits other than pension (OPEB)		2,399,031
Total noncurrent liabilities		252,893,137
Total liabilities		301,494,865
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		9,191,008
Total liabilities and deferred inflows of resources		310,685,873
Net position		
Net investment in capital assets		47,178,321
Restricted for:		
Debt service		7,816,731
Capital projects		22,594,718
Other special services		1,762,434
Unrestricted		(42,810,522)
Total net position		36,541,682
Total liabilities, deferred inflows of resources and net position	$	347,227,555

See notes to financial statements.

Operating revenues		
Student tuition and fees - gross	$	14,685,467
Less scholarship discounts and allowance		(9,392,738)
Net tuition and fees		5,292,729
Grants and contracts, non-capital:		
Federal		21,602,832
State		27,511,099
Local		4,098,179
Sales and other operating revenues		307,594
Total operating revenues		58,812,433
Operating expenses		
Salaries:		
Certificated		35,098,990
Classified		16,268,926
Employee benefits		28,170,548
Books and supplies		1,120,132
Services and other operating expenses		11,645,382
Financial aid and transfer		22,725,362
Depreciation		7,916,904
Total operating expenses		122,946,244
Operating loss		(64,133,811)
Nonoperating revenues (expenses)		
State apportionments		61,870,983
Local property taxes		14,981,662
Investment income		1,034,193
Interest expense, net		(10,608,928)
Net nonoperating revenues		67,277,910
Change in net position		3,144,099
Net position		
Beginning of year		33,397,583
End of year	$	36,541,682

See notes to financial statements.

Cash flows from operating activities		
Tuition and fees	$	5,292,729
Federal grants and contracts		21,602,832
State grants and contracts		27,511,099
Local grants and contracts		4,098,179
Sales and other operating revenues		307,594
Other receipts		4,273,763
Payments to suppliers		(8,769,101)
Payments to/on-behalf of employees		(77,104,486)
Payments to/on-behalf of students		(22,725,362)
Net cash used in operating activities		(45,512,753)
Cash flows from non-capital financing activities		
State apportionments		61,870,983
Property taxes		14,981,662
Net cash provided by non-capital financing activities		76,852,645
Cash flows from capital and related financing activities		
Purchases of capital assets		(12,758,635)
Principal paid on capital debt		(2,027,335)
Interest paid on capital debt		(6,419,386)
Net cash used in capital and related financing activities		(21,205,356)
Cash flows from investing activities		
Interest on investments		1,034,193
		1,034,193
Net change in cash and cash equivalents		11,168,729
Cash and cash equivalents - beginning of year		113,288,719
Cash and cash equivalents - end of year	$	124,457,448
Details of Cash and cash equivalents in the statement of net postion:		
Cash and cash equivalents	$	85,290,489
Restricted cash		39,166,959
Total cash and cash equivalents	$	124,457,448

See notes to financial statements.

Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(64,133,811)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		7,916,904
(Increase) decrease in assets and deferred outflows of resources:		
Receivables		853,661
Prepaid expenses		248,723
Inventories		3,192
Advances to employees		(39,745)
Deferred outflows related to pensions		(4,072,962)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued liabilities		3,744,498
Accrued payroll and payroll taxes		398,861
Unearned revenue		3,420,102
Compensated absences		(16,314)
Net pension liability		10,102,597
Deferred inflows related to pensions		(5,186,754)
Postemployment benefits other than pension (OPEB)		1,248,295
Net cash used in operating activities	$	(45,512,753)
Supplemental disclosure of cash flow information		
Cash paid for interest during the year	$	6,419,386

See notes to financial statements.

		Associated Student Body Fund		Auxiliary Services Organization Fund
ASSETS				
Cash in banks	$	333,999	$	1,037,076
Due from District		16,000		-
Accounts receivable		613		37,053
Total assets	$	350,612	$	1,074,129
LIABILITIES AND NET POSITION				
Liabilities - trust fund accounts	$	61,712		960,772
Accounts payable		19,315		21,130
Total liabilities		81,027		981,902
Net position				
Assigned		269,585		92,227
Total liabilities and net position	$	350,612	$	1,074,129

See notes to financial statements.

	Associated Student Body Fund	Auxiliary Services Organization Fund
Revenues		
Program income	$ 208,349	$ 345,998
Expenses		
Salaries	50,000	-
Activities and functions	135,626	354,083
	185,626	354,083
Change in net position	22,723	(8,085)
Net position		
Beginning of year	246,862	100,312
End of year	$ 269,585	$ 92,227

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 and 61.

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 units have 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 three 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), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the West San Gabriel Valley Benefits (WSGVB).

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’s financial statements 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, 2016, the District adopted the following new GASB Statements:

- GASB Statement No. 72, *Fair Value Measurement and Application.* This statement provides guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement did not have a significant impact on the District's financial statements for the fiscal year ended June 30, 2016.

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendme*nts to certain provisions of GASB Statements 67 and 68. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The implementation of this statement did not have a significant impact on the District's financial statements for the fiscal year ended June 30, 2016.

- GASB Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The implementation of this statement did not materially impact the District's financial statements for the fiscal year ended June 30, 2016.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The implementation of this statement did not materially impact the District's financial statements for the fiscal year ended June 30, 2016.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Los Angeles County (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.

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, 2016.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is 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 for goods and services provided as of June 30, 2016.

Accrued Payroll

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

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 before the eligibility requirements are met.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position is 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 includes 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 consists 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 as of June 30, 2016.

Unrestricted net position

Unrestricted net position represents 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 of revenues 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 position. 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 tuition and fee 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 audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance),* 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 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, Warrant:	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%	None
Commercial Paper	270 days	40%	Highest
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%	"A" Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Mortgage Pass-Through Securities	5 years	20%	"AA" Rating
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Power Authority Pools	N/A	None	Multiple

Cash and cash equivalents at June 30, 2016 consist of the following:

Cash on hand and in banks (Unrestricted)		$ 707,063
Cash in County Treasury:		
Unrestricted	$ 84,583,426	
Restricted cash for building construction	31,350,228	
Restricted cash for debt service	7,816,731	
Total cash in County Treasury		123,750,385
Total cash and cash equivalents		$ 124,457,448

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, 2016, the District's bank balance amounting to $1,170,176 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, 2016, $123,750,385 is invested in the Los Angeles County Treasurer's Pooled Investment Fund.

Fair Value Measurements
During the fiscal year ended June 30 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The District categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and is as follows.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The majority of the District's cash is pooled with the County Treasury. The value of the District's deposit in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the amortized cost provided by the County Treasurer for the entire portfolio. This amount approximates fair value.

NOTE 4 ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2016 is composed of the following:

Federal	$	1,146,478
State		2,515,044
Local		225,476
Interest		328,576
Others		10,627
Total	$	4,226,201

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 financial statement.

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 financial statements.

NOTE 6 CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Nondepreciable capital assets				
Land	$ 2,125,023	$ 5,585,185	$ -	$ 7,710,208
Work-in-progress	1,753,173	751,675	(1,753,173)	751,675
Total	3,878,196	6,336,860	(1,753,173)	8,461,883
Depreciable capital assets				
Buildings and improvements	242,167,486	7,310,952	-	249,478,438
Equipment and furniture	9,447,854	863,996	-	10,311,850
Capitalized equipment	1,742,033	-	-	1,742,033
Total	253,357,373	8,174,948	-	261,532,321
Less: Accumulated				
Buildings and improvements	(44,905,188)	(7,461,237)	-	(52,366,425)
Equipment and furniture	(7,464,094)	(368,570)	-	(7,832,664)
Capitalized equipment	(1,654,936)	(87,097)	-	(1,742,033)
Total	(54,024,218)	(7,916,904)	-	(61,941,122)
Net depreciable capital	199,333,155	258,044	-	199,591,199
Capital assets, net	$ 203,211,351	$ 6,594,904	$ (1,753,173)	$ 208,053,082

Total depreciation expense amounted to $7,916,904 for the year ended June 30, 2016.

NOTE 7 UNEARNED REVENUE

Unearned revenue at June 30, 2016 consists of the following:

		Amount
State revenues	$	9,037,069
Federal		65,761
Student fees		498,624
Other		57,856
	$	9,659,310

NOTE 8 COMPENSATED ABSENCES

Compensated absences at year end are as follows:

		Amount
Balance - beginning of year	$	766,458
Net deductions		(16,314)
Balance - end of year	$	750,144

NOTE 9 LONG-TERM LIABILITIES

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Additions	Accreted Interest	Reductions	Balance June 30, 2016	Due within one year
General Obligation Bonds						
2005 Series A General obligation refunding bonds	$ 40,012,335	$ -	$ -	$ (1,132,335)	$ 38,880,000	$ 3,525,000
2009 Series B General obligations bonds	63,666,805	-	510,062	(895,000)	63,281,867 *	1,630,000
2010 Series C General obligations bonds	82,161,352	-	5,789,903	-	87,951,255 **	-
Unamortized bond premium	3,089,014	-	-	(261,613)	2,827,401	-
Total General Obligation Bonds	188,929,506	-	6,299,965	(2,288,948)	192,940,523	5,155,000
Other Liabilities						
Net pension liability	52,605,986	10,102,597	-	-	62,708,583	-
Net OPEB obligation	1,150,736	4,758,295	-	(3,510,000)	2,399,031	-
Total Other Liabilities	53,756,722	4,758,295	-	(3,510,000)	65,107,614	-
Total long-term liabilities	$ 242,686,228	$ 4,758,295	$ 6,299,965	$ (5,798,948)	$ 258,048,137	$ 5,155,000

* Includes accreted interest amount of $3,240,024 from issue date
** Includes accreted interest amount of $27,910,275 from issue date

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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

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

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Additions	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2016
2005	2024	4.46%	47,117,244	$ 40,012,335	$ -	$ -	$ (1,132,335)	$ 38,880,000
2009	2033	3.00 - 6.69%	64,996,844	63,666,805	-	510,062	(895,000)	63,281,867
2010	2042	6.29 - 6.99%	60,040,980	82,161,352	-	5,789,903	-	87,951,255
				$ 185,840,492	$ -	$ 6,299,965	$ (2,027,335)	$ 190,113,122

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

Fiscal Year	Principal	Interest to Maturity	Total
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	4,285,000	1,051,212	5,336,212
2021-2025	19,390,000	3,220,969	22,610,969
	$ 38,880,000	$ 10,472,656	$ 49,352,656

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

Fiscal Year	Principal	Accreted Interest *	Current Interest to Maturity	Total
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	2,585,000	-	2,362,287	4,947,287
2022-2026	17,275,000	-	9,492,481	26,767,481
2027-2031	27,470,000	-	3,827,150	31,297,150
2032-2034	4,806,843	17,388,156	-	22,194,999
	$ 60,041,843	$ 17,388,156	$ 26,146,141	$ 103,576,140

* 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
2017	$ -	$ -	$ -	$ -
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021				
2022-2026	84,312	435,687	13,905,680	14,425,679
2027-2031	2,336,091	9,723,909	34,764,200	46,824,200
2032-2036	10,794,199	45,310,801	34,764,200	90,869,200
2037-2041	35,453,132	74,576,868	29,961,319	139,991,319
2042	11,373,246	16,896,754	1,923,276	30,193,276
	$ 60,040,980	$ 146,944,019	$ 115,318,675	$ 322,303,674

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

Unamortized premiums were $2,827,401. 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 (State). 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 2015-16 was 10.73% 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 issues 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 2015-16 was 11.847%.

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
2016	$ 3,457,742	10.73%	100%	$ 1,820,978	11.847%	100%
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%

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 the District's financial statements.

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

As of June 30, 2016, 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	$ 18,947,983
CalSTRS	43,760,600
Net Pension Liability	$ 62,708,583

The District's net pension liability for each Plan is measured as the proportionate share of each Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, 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, 2014 rolled forward to June 30, 2015 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 each Plan as of measurement date of June 30, 2015 was as follows:

	Plan	
	CalPERS	CalSTRS
Proportion - June 30, 2015	0.12770%	0.0650%

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2016, the District recognized pension expense of $842,881. At June 30, 2016, 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	$ 1,664,052	$ -
CalSTRS	2,677,144	-
Net differences between projected and actual earnings on plan investments		
CalPERS	3,091,495	(3,736,014)
CalSTRS	-	(3,567,200)
Net differences between expected and actual experience		
CalPERS	1,075,768	-
CalSTRS	-	(731,250)
Change in assumptions		
CalPERS	-	(1,156,544)
Total	$ 8,508,459	$ (9,191,008)

$4,341,196 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, 2017.

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

Year Ended June 30	Amount
2017	$ (1,811,260)
2018	(1,811,260)
2019	(1,808,472)
2020	650,997
2021	(121,875)
Thereafter	(121,875)

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

CalPERS

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	30-Jun-14
Measurement Date	30-Jun-15
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(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 2.00% 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, 2014 valuation were based on the results of a January 2015 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, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	30-Jun-14
Measurement Date	30-Jun-15
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 is 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 7.65 percent, gross of administrative expense. CalPERS pension discount rate is set equal to the long-term expected rate of return calculated using the capital market assumptions.

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.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

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

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

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 STRS' 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.

NOTE 10 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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		6.65%
Net Pension Liability	$	30,636,173
Current Discount Rate		7.65%
Net Pension Liability	$	18,947,983
1% Increase		8.65%
Net Pension Liability	$	8,999,751

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%)	$	126,274,200
3% Decrease (4.60%)		93,178,150
3% Decrease (4.60%)		66,075,100
Current Discount Rate (7.60%)		43,760,600
3% Decrease (4.60%)		25,215,450
3% Decrease (4.60%)		9,671,350
3% Decrease (4.60%)		(3,413,800)

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, 2016, the District did not have any outstanding amount of contributions due to the pension plan required for the year ended June 30, 2016.

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, 2016, the balance in this plan amounted to $42,909.

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 as of May 1, 2015, the most recent actuarial valuation date, 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 the District's OPEB obligation:

Annual required contribution (ARC)	$	4,470,396
Interest on Net OPEB Obiligation		53,509
Adjustments to Annual Required Contribution		(38,358)
Annual OPEB Cost		4,485,547
Pay-as-you-go		(3,510,000)
Change in plan assets as of June 30, 2016		272,748
Change in net OPEB obligation		1,248,295
Net OPEB obligation, beginning of year		1,150,736
Net OPEB obligation, end of year	$	2,399,031

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
6/30/2016	$ 4,485,547	$ 3,510,000	$ -	$ 2,399,031
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

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 District's retiree's JPA account. The unfunded actuarial accrued liability (UAAL) was $47,511,766. 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 fiscal year 2015. 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 and 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, 2016, is 24 years. Unaudited market value of all plan assets held in trust at June 30, 2016 was $10,081,872.

NOTE 12 RIO HONDO COMMUNITY COLLEGE DISTRICT FOUNDATION

Ccondensed financial information of the Foundation (most recent available) is as follows:

		Foundation June 30, 2015 (Audited)
Total assets	$	2,487,843
Total liabilities		111,256
Net assets	$	2,376,587
Total revenues	$	332,136
Total expenditures		441,268
Decrease in net assets	$	(109,132)

NOTE 13 JOINT POWERS AGREEMENT AND SELF-INSURANCE

The District participates in three Joint Powers Authority (JPA) entities: the Southern California Community College Districts' (SCCCD), the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the West San Gabriel Valley Benefits (WSGVB). 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.

WSGVB functions under a banking system, where each member district operates separately from other member districts. Each individual member district makes their premium deposit based primarily upon their scheduled insurance coverage. Coverage is supplied for dental and vision care for all participating member district.

Condensed financial information of SCCCD, ASCIP, and WSGVB (most current available) is as follows:

	SCCCD June 30, 2016 (Audited)		ASCIP June 30, 2015 (Audited)	WSGVB June 30, 2016 (Audited)
	Workers Compensation Insurance Fund	Retiree Health Insurance Fund		
Total assets	$ 17,943,648	$ 18,549,197	$ 370,258,739	$ 5,524,407
Total liabilities	666,273	-	212,691,038	457,417
Net position	$ 17,277,375	$ 18,549,197	157,567,701	5,066,990
Total revenues	$ 10,231,929	$ 2,074,647	$ 230,954,099	$ 2,513,099
Total expenditures	9,747,909	1,500	218,451,597	2,267,219
Increase in net position	$ 484,020	$ 2,073,147	$ 12,502,502	$ 245,880

The above financial information has been audited by another auditor.

NOTE 14 FUNCTIONAL EXPENSES

Details of functional expenses for the year ended June 30, 2016 are as follows:

	Salaries and Benefits	Supplies, Materials and Other Expenses & Services	Financial Aid	Depreciation Expense	Total
Instructional activities	$ 47,366,061	$ 5,109,018	$ -	$ -	$ 52,475,079
Academic support	7,479,202	1,528,915	-	-	9,008,117
Student services	12,720,307	1,163,424	-	-	13,883,731
Operation and maintenance of plant	3,189,285	2,167,529	-	-	5,356,814
Institutional support services	7,458,425	1,867,391	-	-	9,325,816
Community services and economic development	161,609	163,417	-	-	325,026
Ancillary services and auxiliary operations	492,415	494,425	-	-	986,840
Childcare center	671,165	39,775	-	-	710,940
Physical property and related acquisitions	-	226,667	-	-	226,667
Student aid	-	-	22,730,310	-	22,730,310
Depreciation expenses	-	-	-	7,916,904	7,916,904
Total	$ 79,538,469	$ 12,760,561	$ 22,730,310	$ 7,916,904	$ 122,946,244

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 $1,042,254.

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

Year	Amount
2017	$ 125,077
2018	114,979
2019	103,434
2020	85,992
2021	4,407
Total	$ 433,889

State and Federal Allowances, Awards and Grants

The District has received state and federal grant 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, 2016.

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 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the District.

GASB No. 74 - ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*** The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined.

In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016.

NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

GASB No. 75 - ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*** The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return.
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms.
- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017.

NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

GASB No. 77 - *Tax Abatement Disclosures.* The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The provisions of this Statement are effective for financial statements for period beginning after December 15, 2015.

GASB No. 78 – *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.. The provisions of this Statement are effective for financial statements for period beginning after December 15, 2015.

GASB No. 79 – *Certain External Investment Pools and Pool Participants.* This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The provisions of this Statement are effective for financial statements for period beginning after December 15, 2015.

GASB No. 80 – *Blending Requirements for Certain Component Units-An Amendment of GASB No. 14.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions of this Statement are effective for financial statements for period beginning after June 15, 2016.

NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

GASB No. 81 – ***Irrevocable Split-Interest Agreements.*** This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The provisions of this Statement are effective for financial statements for period beginning after December 15, 2016.

GASB No. 82 – ***Pension Issues-An Amendment of GASB No. 67, No. 68 and No. 73.*** The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The provisions of this Statement are effective for financial statements for period beginning after June 15, 2017.

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2016 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 2, 2016, 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	$ 57,364,482	-	$ 62,307,635	92%
5/1/2015	**10,081,872	$ 57,593,638	$ 47,511,766	-	$ 64,173,627	74%

* Entry age normal method

** Actuarial value of assets as of June 30, 2016.

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.

	CalPERS	
	June 30, 2015	**June 30, 2014**
Proportion of the net pension liability	0.12770%	0.12880%
Proportionate Share of the net pension liability	$ 18,947,983	$ 14,621,936
Covered - employee payroll (1)	$ 44,176,079	$ 68,562,240
Proportionate Share of the net pension liability as percentage of covered-employee payroll	42.89%	21.33%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.46%	83.38%
Plan's Proportionate Share of Aggregate Employer Contributions (2)	$ 1,671,609	$ 1,549,555

	CalSTRS	
	June 30, 2015	**June 30, 2014**
Proportion of the net pension liability	0.06500%	0.06500%
Proportionate Share of the net pension liability	$ 43,760,600	$ 37,984,050
Covered - employee payroll (1)	$ 19,994,618	$ 68,562,240
Proportionate Share of the net pension liability as percentage of covered-employee payroll	218.86%	55.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.02%	76.52%
Plan's Proportionate Share of Aggregate Employer Contributions (2)	$ 2,667,600	$ 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 two years are shown.

	CalPERS	
	June 30, 2015	**June 30, 2014**
Contractually required contribution (actuarially determined)	$ 1,671,609	$ 1,549,555
Contributions in relation to the actuarially determined contributions	(1,664,052)	(1,546,561)
Contribution deficiency (excess)	$ 7,557	$ 2,994
Covered-employee payroll	$ 44,176,079	$ 68,562,240
Contributions as a percentage of covered-employee payroll	3.78%	2.26%

	CalSTRS	
	June 30, 2015	**June 30, 2014**
Contractually required contribution (actuarially determined)	$ 2,667,600	$ 2,375,750
Contributions in relation to the actuarially determined contributions	(2,677,144)	(2,375,569)
Contribution deficiency (excess)	$ (9,544)	$ 181
Covered-employee payroll	$ 19,994,618	$ 68,562,240
Contributions as a percentage of covered-employee payroll	13.34%	3.47%

Notes to Schedule of Contributions

CalPERS

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(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 and administrative 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-14
Measurement Date	30-Jun-15
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

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, 2016, the Board of Trustees is composed of the following members:

Board of Trustees

Name	Office	Term Expires
Mary Ann Pacheco	President	12/2017
Norma Edith Garcia	Vice President	12/2017
Madeline Shapiro	Clerk	12/2017
Vicky Santana	Member	12/2019
Gary Mendez	Member	12/2019
Brandon Pablo Leon	Student Member	06/2017

District Executive Officers

Teresa Dreyfuss	Superintendent/President
Dr. JoAnna Schilling	Interim Vice President, Academic Affairs
Henry Gee	Vice President, Student Services
Myeshia Armstrong	Vice President, Finance and Business

Federal Grantor/Program Name	CFDA	Pass-Through/ Grantor's Number	Pased Through to Subrecipients	Total Expenditures
US Department of Education:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A	-	$ 17,250,088
Direct Loans	84.268	N/A	-	631,764
Federal Work Study	84.033	N/A	-	245,769
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	322,680
Postsecondary Educational Scholarship For Veteran's Dependents	84.408	N/A	-	91,197
Total Student Financial Aid Cluster				18,541,498
Higher Education Act				
Trio Cluster:				
Upward Bound	84.047	N/A	-	7,514
Student Support Services	84.042	N/A	-	236,764
S 3 STEM	84.042A	N/A	-	230,565
Total Trio Cluster				474,843
Title V - The "Avance" Project	84.031S	N/A	-	334,284
Hispanic Serving Institutions (HSI)	84.031S	N/A	-	158,284
Total Higher Education Act				492,568
Career and Technical Education Act				
Pass through from California Community Colleges Chancellor's Office				
Perkins IV, Title 1, Part C	84.048	15-C01-044	-	533,009
Total Career and Technical Education Act				533,009
Total U.S. Department of Education				20,041,918
US Department of Health and Human Services:				
Pass through from California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	N/A	-	72,356
Foster Kinship Care Education	93.658	N/A	-	199,412
Total U.S. Department of Health and Human Services				271,768
National Science Foundation:				
Alternative Energy	47.076	N/A	-	56,884
Scholarships (STARSS)	47.076	N/A	-	111,782
				168,666
Student Financial Aid Loan Program				
Outstanding Perkins Loans	84.038	N/A	-	89,706
Total Federal Programs				$ 20,572,102

* Current Year's major programs

N/A indicates not available and/or not applicable

See accompanying notes to the supplementary information.

Program Name	Program Revenues: Cash Received	Program Revenues: Accounts Receivable	Program Revenues: Deferred Revenue	Program Revenues: Total	Total Program Expenditures
State Awards					
Disabled Student Program and Services	$ 874,418	$ -	$ -	$ 874,418	$ 874,418
Access to Print and Electronic Information	13,754	-	-	13,754	13,754
Deaf and Hard of Hearing	8,462	-	-	8,462	8,462
Extended Opportunity Program and Services	1,684,183	-	-	1,684,183	1,684,183
Cal Grant	1,315,870	-	-	1,315,870	1,315,870
CalWorks	329,604	-	-	329,604	329,604
Care Program	177,411	-	-	177,411	177,411
Child Development Center	12,185	-	-	12,185	12,185
Student Success (Credit)	4,311,135	-	1,557,518	2,753,617	2,753,617
Student Success (Noncredit)	262,322	-	154,207	108,115	108,115
Student Equity	1,803,301	-	802,996	1,000,305	1,000,305
Equal Employment Opportunity	6,571	-	-	6,571	6,571
Nursing Education	161,172	-	-	161,172	161,172
Apprenticeship	1,752,326	-	-	1,752,326	1,752,326
Part-time Faculty	259,202	-	-	259,202	259,202
Part-time Faculty Health Benefits	1,186	-	-	1,186	1,186
Temporary Assistance to Needy Family (TANF)	73,184	-	-	73,184	73,184
Physical Plant and Instructional Support	1,623,707	-	1,246,562	377,145	377,145
Prop 39	358,444	-	-	358,444	358,444
Manadated Block grant	350,711	-	-	350,711	350,711
Adult Education (AEBG Data & Accountability)	334,711	-	-	334,711	334,711
Adult Education Block Grant Program	2,029,191	-	996,170	1,033,021	1,033,021
Basic Skills	160,107	-	-	160,107	160,107
MESA Grant	50,500	-	-	50,500	50,500
Career Technical Education -Teacher Prep Pipeline	182,854	-	-	182,854	182,854
Career Technical Education -Pathway Program	401,535	-	-	401,535	401,535
Baccalaureate Pilot Degree Program	350,000	-	347,974	2,026	2,026
Full Time Student Success Grant	538,055	-	224,255	313,800	313,800
S.F.A.A.	559,653	-	-	559,653	559,653
Total State Programs	**$ 19,985,754**	**$ -**	**$ 5,329,682**	**$ 14,656,072**	**$ 14,656,072**

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, 2016

Categories	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	38.41	-	38.41
2. Credit	382.74	-	382.74
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	1.07	-	1.07
2. Credit	1,114.27	-	1,114.27
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,020.84	-	8,020.84
(b) Daily Census Contact Hours	1,112.33	-	1,112.33
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	363.11	-	363.11
(b) Credit	656.80	-	656.80
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	881.06	-	881.06
(b) Daily Census Contact Hours	335.26	-	335.26
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	12,905.89	-	12,905.89
Supplemental Information			
E. In-Service Training Courses (FTES)	331.03	-	331.03
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	134.92	-	134.92
2. Credit	944.55	-	944.55
	1,095.45	-	1,095.45
CCFS 320 Addendum			
CDCP Noncredit FTES	37.38	-	37.38
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

See accompanying notes to the supplementary information.

General Fund	$	8,173,160
Debt Service Fund		7,816,731
Special Revenue Funds		5,030,493
Capital Projects Fund		49,095,359
Internal Service Funds		12,784,040
Fiduciary Funds		1,045,043
Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)		83,944,826
Auxiliary Fund Balances (not reported on CCFS-311)		-
Net audit adjustments		-
Total Ending Fund balances		83,944,826
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net position.		208,053,082
Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds		(750,144)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds		
Bonds payable		(184,958,122)
Net pension liability		(62,708,583)
Unamortized bond premium		(2,827,401)
Post employment benefits other than pension (OPEB)		(2,399,031)
Interest expense related to bonds incurred through June 30, 2016 are required to be accrued under full accrual basis of accounting. This liability is reported in the statement of net position, which reduces the total net position reported		(2,410,343)
In the government funds, deferred charge on refunding is recognized as expenditure in the period incurred. In the government-wide financial statements, deferred discount on debt is amortized over the life of the debt.		1,279,947
Deferred outflows of resources related to pensions are not considered financial resources and are not reported in the governmental funds		8,508,459
Deferred inflows of resources related to pensions are not available to pay for current expenses and are not reported in the governmental funds.		(9,191,008)
Total Net Position as of June 30, 2016	$	36,541,682

See accompanying notes to the supplementary information.

Reconciliation of the ECS 84362 (50%Law) Calculation
For the Year Ended June 30, 2016

		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	12,178,188	-	12,178,188	12,196,958	-	12,196,958
Other	1300	11,955,878	-	11,955,878	12,414,805	-	12,414,805
Total Instructional Salaries		24,134,066	-	24,134,066	24,611,763	-	24,611,763
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,268,831	-	4,268,831
Other	1400	-	-	-	456,839	-	456,839
Total Non-Instructional Salaries		-	-	-	4,725,670	-	4,725,670
Total Academic Salaries		24,134,066	-	24,134,066	29,337,433	-	29,337,433
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	10,022,117	-	10,022,117
Other	2300	-	-	-	470,108	-	470,108
Total Non-Instructional Salaries		-	-	-	10,492,225	-	10,492,225
Instructional Aides							
Regular Status	2200	1,504,879	-	1,504,879	1,542,435	-	1,542,435
Other	2400	448,296	-	448,296	457,169	-	457,169
Total Instructional Aides		1,953,175	-	1,953,175	1,999,604	-	1,999,604
Total Classified Salaries		1,953,175	-	1,953,175	12,491,829	-	12,491,829
Employee Benefits	3000	10,940,267	-	10,940,267	18,507,461	-	18,507,461
Supplies and Materials	4000	-	-	-	686,581	-	686,581
Other Operating Expenses	5000	-	-	-	6,563,400	-	6,563,400
Equipment Replacement	6420	-	-	-	12,741	-	12,741
Total Expenditures Prior to Exclusions		37,027,508	-	37,027,508	67,599,445	-	67,599,445
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits and Retirement Incentives	5900	6,871,808	-	6,871,808	6,871,808	-	6,871,808
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,899,287	-	1,899,287
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,042,254	-	1,042,254
Lottery Expenditures					-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	1,005,659	-	1,005,659	1,005,659	-	1,005,659
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	268,871	-	268,871
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-		-
Other Operating Expenses and Services	5000	-	-	-	503,551	-	503,551
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	45,003	-	45,003
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	22,211	-	22,211
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-		-
Total Capital Outlay		-	-	-	-		-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		7,877,467	-	7,877,467	11,658,644	-	11,658,644
Total for ECS 84362, 50%Law		29,150,041	-	29,150,041	55,940,801	-	55,940,801
Percent of CEE (Instructional Salary Cost / Total CEE)		52.11%	-	52.11%	100%	-	100%
50%of Current Expense of Education					27,970,401		

See accompanying notes to the supplementary information.

Activity Classification	Object Code	Unrestricted
EPA Proceeds:	8630	10,727,113

Activity Classification	Object Code	Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 -	Capital Outlay 6000	Total
Instructional Activities	0100-5900	10,727,113	-	-	10,727,113
Total Expenditures for EPA		10,727,113	-	-	10,727,113
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, 2016 was conducted in accordance with the Uniform Guidance, which requires a disclosure of the financial activities of all federally funded programs. To comply with the Uniform Guidance 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, 2016, 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, 2016.

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, 2016

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Report of Independent Auditors on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vasquez & Company LLP

Los Angeles, California
December 2, 2016

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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) 2015-16, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

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) 2015-16, 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 429 – Student Success and Support Program (SSSP)
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 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, 2016.

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) 2015-16. Accordingly, this report is not suitable for any other purpose.

Vasquez & Company LLP

Los Angeles, California
December 2, 2016

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 the Uniform Guidance	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

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

Section II – Financial Statement Findings

None.

Section III – Federal Award Finding

None.

Section IV – State Award and Compliance Finding

None.

There were no audit findings in the prior year.

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