



**Rio Hondo Community College District
Measure A General Obligation Bonds Fund
Performance Audit
Year Ended June 30, 2016
*With Report of Independent Auditors***

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Report of Independent Auditors

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

We have conducted a performance audit of the Rio Hondo Community College District's (the "District") Measure A General Obligation Bonds Fund (the Bonds Fund) for the year ended June 30, 2016.

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Auditors' Responsibility

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

Management's Responsibility

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

Opinion

The results of our tests indicated that, in all material respects, Rio Hondo Community College District expended the Bonds Fund for the year ended June 30, 2016 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.



Other Matters

Other Information

Our audit was limited to the objectives listed on page 2 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure A General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. The Schedule 1 – Summary of Project Expenditures as listed on the table of contents is presented for purposed of additional analysis and is not a required part of this report.

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

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

**Los Angeles, California
December 2, 2016**

OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Rio Hondo Community College District (the “District”) Measure A General Obligation Bonds Fund (hereinafter referred to as the “Bonds Fund”) established for the bonds and the net bond proceeds deposited into the Bonds Fund.
- Determine whether all expenditures from July 1, 2015 through June 30, 2016, charged to the Bonds Fund, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure A on March 2, 2004 (“Bond Projects”).
- Note any internal control system weaknesses and provide recommendation for improvement.
- Provide the District’s Board of Trustees and the Measure A Citizens’ Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39 (Prop 39).

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from July 1, 2015 to June 30, 2016 as summarized in Schedule 1 – Summary of Project Expenditures. The expenditures tested included all object and project codes associated with the Bond Projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2016 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

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

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

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

BACKGROUND INFORMATION (CONTINUED)

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

Concurrent with the issuance of the Refunding Bonds, the District deposited part of the proceeds in the amount of \$46,371,376 from the Refunding Bonds funds into an escrow fund securing the respective maturities of the Series A Bonds to be refunded. The remaining portion in the amount of \$4,732,103 was deposited to the revenue bond construction fund. The advanced refunding met the requirements of an in-substance defeasance. Accordingly the refunded portion of the 2004 Series A bonds were removed from the District's financial statements. The defeasance of the 2004 Series A debt resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This difference is reported in the District's financial statements as a deduction from bonds payable and is being amortized on a straight-line basis over the life of the bonds.

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

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

AUDIT PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and related details prepared by the District for the fiscal year ended June 30, 2016 for the Bond Projects. We obtained the actual invoices and other supporting documentation for a sample of expenditures tested to determine compliance with Proposition 39 and Measure A as to the bond projects. Accordingly, we performed the following procedures:

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

AUDIT PROCEDURES PERFORMED (CONTINUED)

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

RESULTS OF PROCEDURES

The District is obliged to put forward several projects for use with the bond funding. For the year ended June 30, 2016, the District incurred total expenditures of \$9,894,490 resulting to cumulative expenditures of \$170,663,269 as of June 30, 2016. Please refer to Schedule 1 for the summary of project expenditures with the corresponding budget comparison.

Each project has been given a specific project identification number within the District's Bonds Fund programs.

Program management costs have been incurred and shared by all projects. The following outlines results of testing related to material expenditures incurred for the year ended June 30, 2016.

Project 1 – Fire Fighter Training Facility in Santa Fe Springs

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

Project 2 – Police Training Facility for Rio Hondo Police Academy

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

Project 3 – Nursing and Health Program Facilities

There were no expenditures incurred.

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

There were no expenditures incurred.

Project 5 – Student Services and Student Activities Building

There were no expenditures incurred.

Project 6 – Not applicable

Project 7 – Upgrade Campus Lighting and Alarm System

There were no expenditures incurred.

Project 8 – Replace/Repair Building Components

There were no expenditures incurred.

Project 9 – Campus-wide Efficiency Repairs

There were no expenditures incurred.

RESULTS OF PROCEDURES (CONTINUED)

Project 10 – Campus Building Improvements

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

Project 11 – Information Technology Upgrade

Expenditures were incurred for the purchase and implementation of Management Information System and purchase and installation of networking equipment, servers and hardware.

Project 12 – Campus-wide Infrastructure

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

Project 13 – Equipments and Furnishings

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

Project 14 – El Monte and South Whittier

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

Project 15 – Facilities Master Plan

There were no expenditures incurred.

Project 16 – Obsolete Facilities

There were no expenditures incurred.

Project 17 – Relocation/Acquisition of Temporary Facilities

Expenditures incurred were for the rental of mobile classes and redesign for swing space.

Project 18 – Child Development Center

There were no expenditures incurred.

Project 19 – Central Plant and Maintenance

Expenditures incurred were for construction and construction management.

Project 20 – Lot A Bridge

There were no expenditures incurred.

Project 21 – Landscape

There were no expenditures incurred.

Project 22 – Seismic Retrofit

Expenditures were incurred for hiring a consultant to review the structure of several campus buildings.

Project 23 – Facilities Building/Garage/Fuel Tank

There were no expenditures incurred.

RESULTS OF PROCEDURES (CONTINUED)

Project 24 – LRC-Bond Portion

There were no expenditures incurred.

Project 25 – Applied Technology Remodel-Bond Portion

There were no expenditures incurred.

Project 26 – P.E. Complex – Bond Portion

Expenditures were incurred for the renovation of the P.E. Complex project.

Project 27 – Fine Arts Complex – Bond Portion

There were no expenditures incurred.

Project 28 – Veterans Memorial

Expenditures were incurred for the design and construction of the Veterans Memorial and Flag Pole.

Project 29 – Rio Plaza

Expenditures were incurred for the design services of the Rio Plaza Project.

Project 30 – Bookstore/Printing

Expenditures were incurred for the design services and construction of the Bookstore/Print Shop project.

Project 31 – Rio Hondo College Educational Center at Pico Rivera

Expenditures were incurred for the design services of the Rio Hondo College Educational Center at Pico Rivera project.

Project Management

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

Consultants

Expenditures were incurred for amounts paid to the project consultants for marketing, legal, labor administration and compliance.

Other Expenditures (including Contingencies)

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

CONCLUSION

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

**Rio Hondo Community College District
Measure A General Obligation Bonds Fund
Schedule of Findings and Recommendations
Year ended June 30, 2016**

There were no findings and recommendations for the year ended June 30, 2016.

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

Project	Budget	July 1, 2004 to June 30, 2015	July 1, 2015 to June 30, 2016	Cumulative Total	
Project 1	Fire fighter training facility in Santa Fe Springs	\$ 9,100,000	\$ 3,419,554	\$ 5,585,185	\$ 9,004,739
Project 2	Police training facility for Rio Hondo Police Academy	21,900,000	13,500,687	34,570	13,535,257
Project 3	Nursing and health programs facilities	-	-	-	-
Project 4	State-of-the-art technology laboratories	2,500,000	-	-	-
Project 5	Student services and student activities building	20,000,000	19,683,268	-	19,683,268
Project 6	Not applicable	-	-	-	-
Project 7	Upgrade campus lighting and alarm system	*	9,854	-	9,854
Project 8	Replace/repair building components	*	-	-	-
Project 9	Campus-wide efficiency repairs	*	-	-	-
Project 10	Campus building improvements	* 6,000,000	2,578,324	152,397	2,730,721
Project 11	Information technology upgrade	16,000,000	15,413,299	225,337	15,638,636
Project 12	Campus-wide infrastructure, roads, walks and walls	33,800,000	21,314,481	29,852	21,344,333
Project 13	Campus equipment and furnishings	4,000,000	427,871	8,634	436,505
Project 14	El Monte and South Whittier	8,425,000	8,068,860	9,508	8,078,368
Project 15	Facilities master plan	16,575,000	1,315,320	-	1,315,320
Project 16	Demolition of obsolete facilities	2,500,000	285,288	-	285,288
Project 17	Relocation/acquisition of temporary facilities	5,000,000	1,259,530	15,850	1,275,380
Project 18	Child development center	2,000,000	81,521	-	81,521
Project 19	Central plant	16,500,000	13,776,279	129,082	13,905,361
Project 20	Lot A bridge	1,500,000	152,662	-	152,662
Project 21	Landscape	6,000,000	3,774,847	-	3,774,847
Project 22	Seismic retrofit	4,700,000	730,490	600	731,090
Project 23	Facilities building/garage/fuel tank	2,000,000	1,826,528	-	1,826,528
Project 24	Learning Resource Center (LRC) - bond portion	10,000,000	9,659,115	-	9,659,115
Project 25	Applied technology remodel-bond portion	4,300,000	4,309,454	-	4,309,454
Project 26	P.E. complex-bond portion	14,500,000	11,470,067	2,318,968	13,789,035
Project 27	Fine Arts Complex-bond portion	6,800,000	405,747	-	405,747
Project 28	Veterans Memorial	90,000	74,835	13,141	87,976
Project 29	Rio Plaza	3,200,000	20,240	32,574	52,814
Project 30	Bookstore/Printing	2,000,000	-	13,613	13,613
Project 31	Pico Rivera Educ Ctr/El Rancho	1,800,000	-	205,018	205,018
P	Program management	14,432,500	13,871,372	519,741	14,391,113
C	Consultants/Surveyors/Geotech and soil testing	12,784,000	11,960,994	581,636	12,542,630
O	Other expenditures (including Contingencies)	5,593,500	1,378,292	18,784	1,397,076
		\$ 254,000,000	\$ 160,768,779	\$ 9,894,490	\$ 170,663,269

* The budget for projects numbers 7 to 10 is a combined total



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