

**RIO HONDO  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2004**

**FINANCIAL AND PERFORMANCE AUDITS**

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**JUNE 30, 2017**

**RIO HONDO  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2004  
FINANCIAL AUDIT**

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**JUNE 30, 2017**



**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**FINANCIAL AUDIT  
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JUNE 30, 2017**

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***FINANCIAL SECTION***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Rio Hondo Community College District's (the District) Measure A General Obligation Bond Fund (General Obligation Bonds, Election 2004) as of and for the year ended June 30, 2017, and the related notes to the 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 statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure A General Obligation Bond Fund (General Obligation Bonds, Election 2004) of the District at June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Additionally, as discussed in Note 9 to the financial statements, the accompanying financial statements reflect certain changes as a result of a correction of an error to the beginning accounts payable balance as of July 1, 2016. This change required a restatement of the beginning net position of the Fund. Our opinion is not modified with respect to this matter.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the District's Measure A General Obligation Bond Fund's (General Obligation Bonds, Election 2004) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the District's Measure A General Obligation Bond Fund's (General Obligation Bonds, Election 2004) 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 Measure A General Obligation Bond Fund's (General Obligation Bonds, Election 2004) internal control over financial reporting and compliance.



Rancho Cucamonga, California  
December 7, 2017

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**BALANCE SHEET  
JUNE 30, 2017**

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**ASSETS**

Investments	\$ 26,634,406
Accounts receivable	<u>139,731</u>
<b>Total Assets</b>	<b><u><u>\$ 26,774,137</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	<u>\$ 519,476</u>
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**FUND BALANCE**

Restricted for capital projects	<u>26,254,661</u>
<b>Total Liabilities and Fund Balance</b>	<b><u><u>\$ 26,774,137</u></u></b>

The accompanying notes are an integral part of these financial statements.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

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**REVENUES**

Local revenues \$ 315,323

**EXPENDITURES**

Supplies and materials 11,821

Other expenses and services 1,380,290

Capital outlay 3,665,196

**Total Expenditures** 5,057,307

**EXCESS OF EXPENDITURES OVER REVENUES** (4,741,984)

**FUND BALANCE, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 9)** 30,996,645

**FUND BALANCE, END OF YEAR** \$ 26,254,661

The accompanying notes are an integral part of these financial statements.

# **RIO HONDO COMMUNITY COLLEGE DISTRICT MEASURE A GENERAL OBLIGATION BOND FUND**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017**

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### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of Rio Hondo Community College District's (the District) Measure A General Obligation Bond Fund conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure A General Obligation Bond Fund accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

#### **Financial Reporting Entity**

The audited financial statements include only the Measure A General Obligation Bond Fund of the Rio Hondo Community College District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of March 2004. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

#### **Fund Accounting**

The operations of the Measure A General Obligation Bond Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

The Bond Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

#### **Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

# RIO HONDO COMMUNITY COLLEGE DISTRICT MEASURE A GENERAL OBLIGATION BOND FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Fund Balance

As of June 30, 2017, the fund balance of the Measure A General Obligation Bond Fund was classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

### New Accounting Pronouncements

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

***NOTE 2 - INVESTMENTS***

**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.

**Investment 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 their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**General Authorizations**

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	108 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Authorized Under Debt Agreements**

Investment of debt proceeds are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the District's investment policy. Provisions of the General Obligation Bond, Series 2010 C, provide that moneys will be invested at the written direction of the District, after consultation with the County in: (i) Non-AMT Bonds (as defined in the Resolutions); (ii) Qualified Non-AMT Mutual Funds (as defined in the Resolutions); or (iii) State and Local Government Securities; provided, however, that each of (i), (ii), and (iii) shall have been issued by a local agency of the State or issued by the State or an agency thereof.

**Summary of Deposits and Investments**

Investments as of June 30, 2017, consist of the following:

Los Angeles County Investment Pool	<u>Reported Amount</u> <u>\$ 26,634,406</u>
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**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**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. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool.

**Specific Identification**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	<u>\$ 26,475,856</u>	672

**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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>
Los Angeles County Investment Pool	<u>\$ 26,475,856</u>	Not Required

**NOTE 3 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 26,475,856</u>	<u>\$ 26,475,856</u>

All assets have been valued using a market approach, with quoted market prices.

***NOTE 4 - ACCOUNTS RECEIVABLE***

Receivables at June 30, 2017, consist of the following:

Interest	<u>\$ 139,731</u>
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***NOTE 5 - ACCOUNTS PAYABLE***

Accounts payable at June 30, 2017, consist of the following:

Construction payables	<u>\$ 519,476</u>
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***NOTE 6 - FUND BALANCE***

Fund balance is composed of the following element:

Restricted Capital projects	<u>\$ 26,254,661</u>
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**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2017, the Measure A General Obligation Bond Fund had the following significant construction commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Spent to Date</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
L-Tower Seismic and Code Upgrades	\$ 1,377,354	\$ 27,539,380	3/31/2019
Pico Rivera Educational Center	1,131,393	390,320	1/31/2018
HVAC - Data Center Upgrade	551,125	162,556	1/15/2018
	<u>\$ 3,059,872</u>	<u>\$ 28,092,256</u>	

**Litigation**

The District is involved in various litigation 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 Measure A General Obligation Fund at June 30, 2017.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 - PROJECT SUMMARY**

Project	Budget	July 1, 2004 to June 30, 2016	July 1, 2016 to June 30, 2017	Cumulative Total
Project 1 Firefighter training facility in Santa Fe Springs	\$ 9,100,000	\$ 9,004,739	\$ 11,700	\$ 9,016,439
Project 2 Police training facility for Rio Hondo Police Academy	21,900,000	13,535,257	12,624	13,547,881
Project 3 Nursing and health programs facilities	1,000,000	-	548,371	548,371
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*	5,000,000	2,730,721	39,287	2,770,008
Project 11 Information technology upgrade	15,900,000	15,638,636	148,280	15,786,916
Project 12 Campus-wide infrastructure, roads, walks, and walls	33,800,000	21,344,333	-	21,344,333
Project 13 Campus equipment and furnishings	4,000,000	436,505	45,114	481,619
Project 14 El Monte and South Whittier	8,425,000	8,078,368	-	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	1,275,380	224,075	1,499,455
Project 18 Child development center	2,000,000	81,521	-	81,521
Project 19 Central plant	16,500,000	13,905,361	142,154	14,047,515
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	731,090	-	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	5,529	9,664,644
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	13,789,035	280,273	14,069,308
Project 27 Fine Arts complex - bond portion	6,800,000	405,747	-	405,747
Project 28 Veterans Memorial	90,000	87,976	-	87,976
Project 29 Rio Plaza	3,200,000	52,814	48,510	101,324
Project 30 Bookstore/Printing	2,000,000	13,613	1,250,924	1,264,537
Project 31 Pico Rivera Education Center/El Rancho	2,000,000	205,018	1,343,421	1,548,439
Program management	14,732,500	14,391,113	349,258	14,740,371
Consultants/Surveyors/Geotech and soil testing	13,500,000	12,542,630	589,973	13,132,603
Other expenditures	4,477,500	1,397,076	17,814	1,414,890
	<u>\$254,000,000</u>	<u>\$170,663,269</u>	<u>\$ 5,057,307</u>	<u>\$175,720,576</u>

\* The budget for project numbers 6 to 10 is a combined total.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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***NOTE 9 - RESTATEMENT OF PRIOR YEAR NET POSITION***

The beginning net position for the Measure A General Obligation Bond Fund was restated for the correction of an error. The accounts payable balance was not fairly stated.

<u>Measure A General Obligation Fund</u>	
Net Position - Beginning	\$ 30,843,175
Restatement for overstatement of accounts payable	<u>153,470</u>
Net Position - Beginning, as Restated	<u><u>\$ 30,996,645</u></u>

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***INDEPENDENT AUDITOR'S REPORT***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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 accompanying financial statements of the Rio Hondo Community College District's (the District) Measure A General Obligation Bond Fund (General Obligation Bonds, Election 2004), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated December 7, 2017.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Additionally, as discussed in Note 9 to the financial statements, the accompanying financial statements reflect certain changes as a result of a correction of an error to the beginning accounts payable balance as of July 1, 2016. This change required a restatement of the beginning net position of the Fund. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 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 Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 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 District's Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 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 significant deficiencies or material weaknesses. 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 Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 financial statements are free of 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 testing 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 District's Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavineck Tume Day & Co LLP

Rancho Cucamonga, California  
December 7, 2017

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2017**

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None reported.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

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There were no audit findings reported in the prior year's Financial Statement Findings.

**RIO HONDO  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2004**

**PERFORMANCE AUDIT**

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**JUNE 30, 2017**

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**PERFORMANCE AUDIT  
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JUNE 30, 2017**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of Rio Hondo Community College District's (the District) Measure A General Obligation Bond Fund (General Obligation Bonds, Election 2004) for the year ended June 30, 2017.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 is in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*Vavrinek Trine Day & Co. LLP*

Rancho Cucamonga, California  
December 7, 2017

# **RIO HONDO COMMUNITY COLLEGE DISTRICT MEASURE A GENERAL OBLIGATION BOND FUND**

**JUNE 30, 2017**

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## ***AUTHORITY FOR ISSUANCE***

The Measure A General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of Riverside County (the County Resolution), pursuant to a request of the Rio Hondo Community College District (the District) made by a resolution adopted by the Board of Education of the District (the District Resolution).

The District received authorization from an election held on March 2, 2004, to issue bonds of the District in an aggregate principal amount not to exceed \$245,581,122 to finance the acquisition and improvement of real property for school purposes approved by eligible voters within the District. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The Measure A Bond Funds represent the authorized bond issuance of the Series 2004 A, 2009 B, 2010 C, and 2005 A Refunding Bonds.

## ***PURPOSE OF ISSUANCE***

Pursuant to the 2004 Authorization, the proceeds of the Bonds will be used to finance the acquisition and improvement of real property for school purposes noted on a specific Project List for facilities of the District. The bond project list includes:

- Complete a state-of-the-art firefighter training facility in Santa Fe Springs;
- Build a new police training facility for the Rio Hondo Police Academy and the Advanced Officers' Training Program;
- Expand educational facilities for nursing and health programs;
- Build, furnish, and equip state-of-the-art technology labs including computer labs, math instruction, basic skills instruction, etc.;
- Construct a new student services and student activities building to increase access and to more efficiently meet student needs;
- Installation and/or upgrades of emergency lighting, fire alarm, and security systems;
- Replacement and repair of building components such as roofing, wall coverings, painting, flooring, windows, earthquake retrofitting and other structural reinforcements, and asbestos abatement and other health and safety issues;
- Replacement of unsafe, inefficient, and/or insufficient electrical heating, air conditioning, sewage, restrooms, and water systems, including sprinkler and irrigation systems, thereby reducing future utility and replacement costs;
- Construction of additional facilities and/or remodeling of existing facilities for the purpose of expanding instructional and student services programs and other related support services to meet the future and current educational needs of District students;
- Replacement of the College's outdated and inefficient information technology systems;
- Improvement of roadways, walkways, grounds, parking, fencing, signage, and overall campus access, including the purchase of land on the North side of campus for a perimeter road around the campus;
- Purchase and install equipment and furnishing at all facilities being constructed, repaired, or improved;
- Purchase or lease of land and/or making site improvement thereon to expand the ability of the District to deliver instruction and services to the communities in the El Monte and South Whittier areas;

# **RIO HONDO COMMUNITY COLLEGE DISTRICT MEASURE A GENERAL OBLIGATION BOND FUND**

**JUNE 30, 2017**

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- Implementation components of the facilities master plan such as environmental impact reports, soil testing, aerial photography, and other compliance reports;
- Demolition of obsolete facilities; and
- Relocation and/or acquisition of temporary facilities during the modernization, renovation, improvement, and/or new construction of project components as necessary to maintain educational programs in operation during construction.

## ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a Citizens' Oversight Committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

## ***OBJECTIVES OF THE AUDIT***

Determine whether expenditures charged to the Bonds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure A.

# **RIO HONDO COMMUNITY COLLEGE DISTRICT MEASURE A GENERAL OBLIGATION BOND FUND**

**JUNE 30, 2017**

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## ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2016 to June 30, 2017. The population of 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, other than proceeds of the bonds, were not included within the scope of the audit.

## ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2017, for the Bonds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure A as to the approved Bond projects list. We performed the following procedures:

1. We verified that a separate Bond Fund of the District has been established to account for the receipt of Bond proceeds and expenditure of the funds for the period July 1, 2016 through June 30, 2017.
2. We verified the District has established a Citizens' Bond Oversight Committee comprised of representatives from the seven specific constituency groups required by the Proposition.
3. We verified the Citizens' Bond Oversight committee met regularly during the year with agendas and/or minutes of the meetings maintained.
4. We selected a sample of expenditures for the period starting July 1, 2016 and ending June 30, 2017, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
5. Our sample included transactions totaling \$3,187,327. This represents 63 percent of the total expenditures of \$5,057,307.
6. We verified that funds from the Bonds were expended for the voter authorized Bond projects as listed in the Approved Bond Project Listing.
7. We verified that the District used formal bid procedures for those contracts over the construction bid level requirements in accordance with the Education Code requirements and District policies.

## ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Measure A General Obligation Bond Fund specific to General Obligation Bonds, Election 2004 for District general administration or operations. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

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None reported.

**RIO HONDO COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BOND FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.