

**RIO HONDO
COMMUNITY COLLEGE DISTRICT**

WHITTIER, CALIFORNIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2020**



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Rio Hondo Community College District
Whittier, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Rio Hondo Community College District (the District) as of and for the year ended June 30, 2020, 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 misstatements, 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 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 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 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 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 respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance 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 the Management's Discussion and Analysis on pages 4 through 11 and the Other Required Supplementary Information as listed in the table of contents to 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021 on our consideration of the District's 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 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.

CWDL, Certified Public Accountants

San Diego, California
February 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of Rio Hondo Community College District (the District) as of June 30, 2020. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OBJECTIVES OF THE AUDIT

The audit of Rio Hondo College Community College District had the following objectives:

- To express an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles (GAAP).
- To evaluate the adequacy of the systems and procedures affecting compliance with government audit standards, guides, procedures, statutes, rules, and regulations which could have a material effect on the financial statements in accordance with government auditing standards.
- To review and report on the District's system of internal controls related to major federal programs

OVERVIEW OF THE FINANCIAL STATEMENTS

Rio Hondo Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments, and No. 35, Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial 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 with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

FINANCIAL HIGHLIGHTS

- The District ended fiscal year 2019-20 with an Unrestricted General Fund balance of \$23.2 million. The amount is well above the five percent reserve the Unrestricted General fund per Board Policy.
- FTES totaled 12,711 compared to 12,940 in the previous year representing a decrease of 2%. The decline in enrollment over the last several years was attributable to a several of factors including changes in student enrollment patterns and the state of economy in California. Creating strong future enrollment remains a strategic priority for the District. Outreach and marketing efforts are well underway in an attempt to stabilize the declining trend in enrollment.
- The District's most recent actuarial report is dated September 23, 2020 with a valuation date of June 30, 2019 and measurement date of June 30, 2019. At June 30, 2019, the District's total Other Post Employment Benefit Plan (OPEB) Liability was \$57.9 million and the Fiduciary Net Position of the trust was \$52.5 million, leaving a Net OPEB Liability of \$5.4 million.
- The District provided Financial Aid to qualifying students during the year amounting to \$25.6 million, an increase of \$2.1 million from prior year total of \$23.5 million. This aid is provided through grants, loans, institutional and outside scholarships, work study from the Federal government, the State, and local funding.

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.
- Current assets increased by approximately \$1.5 million primarily due to an increase in cash balance due to cash receipts from federal government and payments of receivables towards the end of the year.
- Noncurrent assets decreased by approximately \$0.6 million due to the net movement of additions and current year's depreciation expense.
- Deferred outflows of resources decreased by approximately \$11.8 million from prior year. These represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Pursuant to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, the District

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

STATEMENT OF NET POSITION, continued

recognized deferred outflows and inflows of resources related to OPEB and pensions in the District-wide financial statements of \$4.3 million. Pursuant to GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The deferred outflows related to pension obligations decreased by \$0.5 million from the prior year.

- Current liabilities decreased by approximately \$12.3 million due to decrease in unearned revenue for special categorical programs such as Strong Workforce, Student Equity and Achievement, Student Success completion Programs and fees collected for summer 2020.
- Non-current liabilities decreased by approximately \$16.5 million primarily due to the funding of the OPEB Trust which resulted in a decrease in OPEB liability in accordance with the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. 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) increased by \$4.1 million during the year primarily because of lower than projected investment earnings and changes in assumptions.
- Deferred inflows of resources decreased by approximately \$47 thousand from prior year. These represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements.

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 2020 | 2019 | Change |
|--|----------------------|----------------------|----------------------|
| Current assets | \$ 139,303,063 | \$ 137,849,699 | \$ 1,453,364 |
| Non-current assets | 209,917,228 | 210,514,628 | (597,400) |
| Deferred outflows of resources | 27,233,313 | 39,070,788 | (11,837,475) |
| Total Assets and Deferred Outflows of Resources | 376,453,604 | 387,435,115 | (10,981,511) |
| | | | |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| Current liabilities | 31,723,538 | 44,065,761 | (12,342,223) |
| Non-current liabilities | 283,063,090 | 299,575,445 | (16,512,355) |
| Deferred inflows of resources | 5,484,047 | 5,531,287 | (47,240) |
| Total Liabilities and Deferred Inflows of Resources | 320,270,675 | 349,172,493 | (28,901,818) |
| | | | |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 36,609,099 | 38,375,768 | (1,766,669) |
| Restricted | 44,478,053 | 38,919,209 | 5,558,844 |
| Unrestricted | (30,479,905) | (39,032,355) | 8,552,450 |
| Total Net Position | \$ 50,607,247 | \$ 38,262,622 | \$ 12,344,625 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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.
- Net tuition and fees increased by approximately \$62 thousand due to a minor increase student class enrollment`.
- Other operating revenues decreased from prior year due to less revenues received this year. These revenues consist of rental and leases incomes, retirees' contributions to health premiums, and other miscellaneous incomes.
- The overall increase in salaries and benefits due to increased costs of step and column, negotiated salary increases, rise in medical premiums and higher pension contribution rates for STRS and PERS.
- Net change in supplies and maintenance costs is due reclassification of expenditures within the financial statements. The cost of supplies and maintenance has continued to increase primarily due to additional spending in non- capitalized expenses, increased contracted services, 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.
- Student financial aid expenditures in the form of Pell and SEOG grants, along with Federal Student Loans, increased from prior year due to more awards to students.
- Increase in depreciation is due to additions in capital assets.
- Increase in state apportionments is primarily due to increase in revenues based on the Student-Centered Funding Formula where the District was able to maintain the FTES and recorded an increase in the supplemental and student success allocation of the funding formula.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, continued

- The increase of \$1.1 million in local property tax reflects the growth trend of the local property tax base.
- Federal grants have increased by \$2.8 million due to more student financial award in form of Pell and SEOG grants along with Federal Student loans.
- State taxes and other revenues have increased due to increases in lottery revenues, on-behalf payment for pension and state financial aid programs.
- Investment income and net investment expense have increased due to improved interest in the first half of the year.
- Interest expense represents the accreted interest charges for the long-term bonds.
- State capital income increased due to delays of capital outlay reimbursements for the L-Tower seismic project by the State of California.

| | 2020 | 2019 | Change |
|---|----------------------|----------------------|----------------------|
| OPERATING REVENUES | | | |
| Tuition and fees (net) | \$ 5,864,911 | \$ 5,802,540 | \$ 62,371 |
| Other operating revenues | 1,432,772 | 716,560 | 716,212 |
| Total Operating Revenues | <u>7,297,683</u> | <u>6,519,100</u> | <u>778,583</u> |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 97,196,869 | 101,045,153 | (3,848,284) |
| Supplies, materials, and other operating expenses | 15,591,223 | 15,647,598 | (56,375) |
| Student financial aid | 25,627,222 | 23,519,469 | 2,107,753 |
| Depreciation | 8,478,340 | 8,393,413 | 84,927 |
| Total Operating Expenses | <u>146,893,654</u> | <u>148,605,633</u> | <u>(1,711,979)</u> |
| Operating Loss | <u>(139,595,971)</u> | <u>(142,086,533)</u> | <u>2,490,562</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| State apportionments | 79,077,101 | 68,190,592 | 10,886,509 |
| Local property taxes | 19,229,554 | 18,136,053 | 1,093,501 |
| Federal grants | 24,262,784 | 21,417,210 | 2,845,574 |
| State grants | 3,750,538 | 19,417,567 | (15,667,029) |
| State taxes and other revenues | 26,484,999 | 14,089,409 | 12,395,590 |
| Investment income | 1,790,919 | 2,144,749 | (353,830) |
| Interest expense | (13,563,727) | (13,629,424) | 65,697 |
| Other non-operating revenues | 5,567,935 | 9,125,861 | (3,557,926) |
| Total Non-Operating Revenues (Expenses) | <u>146,600,103</u> | <u>138,892,017</u> | <u>7,708,086</u> |
| OTHER REVENUES (EXPENSES) | | | |
| State capital income | <u>5,393,124</u> | <u>4,141,377</u> | <u>1,251,747</u> |
| CHANGE IN NET POSITION | <u>12,397,256</u> | <u>946,861</u> | <u>11,450,395</u> |
| NET POSITION -- BEGINNING OF YEAR | <u>38,262,622</u> | <u>29,742,567</u> | <u>8,520,055</u> |
| PRIOR PERIOD ADJUSTMENTS (SEE NOTE 15) | <u>(52,631)</u> | <u>7,573,194</u> | <u>(7,625,825)</u> |
| NET POSITION -- END OF YEAR | <u>\$ 50,607,247</u> | <u>\$ 38,262,622</u> | <u>\$ 12,344,625</u> |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

STATEMENT OF FUNCTIONAL EXPENSES

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:

| | Salaries and Employee Benefits | Supplies, Materials and Other Expenses and Services | Financial Aid | Depreciation | Total |
|---|--------------------------------------|--|----------------------|---------------------|-----------------------|
| Instructional activities | \$ 52,584,556 | \$ 4,562,316 | \$ - | \$ - | \$ 57,146,872 |
| Academic support | 9,971,300 | 1,756,616 | - | - | 11,727,916 |
| Student services | 17,897,142 | 3,201,749 | - | - | 21,098,891 |
| Operation & maintenance of plant | 4,041,837 | 2,201,169 | - | - | 6,243,006 |
| Institutional support services | 10,877,092 | 1,506,603 | - | - | 12,383,695 |
| Community services & economic developme | 126,884 | 154,188 | - | - | 281,072 |
| Ancillary services & auxiliary operations | 763,241 | 513,262 | - | - | 1,276,503 |
| Childcare Center | 934,817 | 711,948 | - | - | 1,646,765 |
| Physical property & related acquisitions | - | 983,372 | - | - | 983,372 |
| Student Aid | - | - | 25,627,222 | - | 25,627,222 |
| Depreciation expenses | - | - | - | 8,478,340 | 8,478,340 |
| Total | \$ 97,196,869 | \$ 15,591,223 | \$ 25,627,222 | \$ 8,478,340 | \$ 146,893,654 |

STATEMENT OF CASH FLOWS

CASH PROVIDED BY (USED IN)

| | 2020 | 2019 | Change |
|---|---------------------|------------------------|----------------------|
| Operating activities | \$ (134,350,830) | \$ (145,847,524) | \$ 11,496,694 |
| Non-capital financing activities | 146,813,159 | 139,754,543 | 7,058,616 |
| Capital financing activities | (6,346,646) | (7,367,025) | 1,020,379 |
| Investing activities | - | 2,144,749 | (2,144,749) |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 6,115,683 | \$ (11,315,257) | \$ 17,430,940 |

CAPITAL ASSETS

As of June 30, 2020, the District had \$304.4 million in capital assets; less \$94.5 million accumulated depreciation for net capital assets of \$209.9 million. The District continues to work on the facilities projects that are part of the \$254.0 million bond facility master plan. The District spent approximately \$9.1 million on capital assets during the year, the majority of which relate to bond project expenses. Depreciation expenses totaled \$8.5 million during the year. Additional information related to capital assets is found in Note 6 of the financial statements.

| | 2020 | 2019 | Change |
|--------------------------------------|-----------------------|-----------------------|---------------------|
| Capital Assets not being depreciated | \$ 30,434,180 | \$ 27,454,588 | \$ 2,979,592 |
| Capital Assets being depreciated | 273,995,541 | 269,094,193 | 4,901,348 |
| Accumulated depreciation | (94,512,493) | (86,034,153) | (8,478,340) |
| Total Capital Assets | \$ 209,917,228 | \$ 210,514,628 | \$ (597,400) |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

DEBT ADMINISTRATION

At June 30, 2020, the District had \$191.9 million in outstanding general obligation and revenue bonds compared to \$192.7 million at June 30, 2019. The overall net decrease of \$0.8 million is due to accretion of interest of \$8.0 million, offset by repayments of General Obligation Bonds of \$7.6 million and amortization of bond premium by \$1.2 million. The Other Postemployment Benefits (OPEB) obligation decreased from \$26.0 million to \$5.5 million. Compensated absences increased by \$0.2 million whereas the District's share of Net Pension Liability for CalSTRS and CalPERS increased by \$4.1 million. Additional information related to long-term obligations is found in Note 10 of the financial statements.

| | 2020 | 2019 | Change |
|--------------------------------------|-----------------------|-----------------------|------------------------|
| General obligation and revenue bonds | \$ 191,880,461 | \$ 192,713,446 | \$ (832,985) |
| Net pension liability | 91,670,265 | 87,550,124 | 4,120,141 |
| Net OPEB liability | 5,475,876 | 26,037,951 | (20,562,075) |
| Compensated absences | 1,016,488 | 858,924 | 157,564 |
| Total Long-term Liabilities | <u>\$ 290,043,090</u> | <u>\$ 307,160,445</u> | <u>\$ (17,117,355)</u> |
| Amount due within one year | 6,980,000 | 7,585,000 | (605,000) |
| Total due after one year | <u>\$ 283,063,090</u> | <u>\$ 299,575,445</u> | <u>\$ (16,512,355)</u> |

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 board approved the final amendment to the budget for fiscal year 2019-2020 on June 10, 2020.

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 90 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.

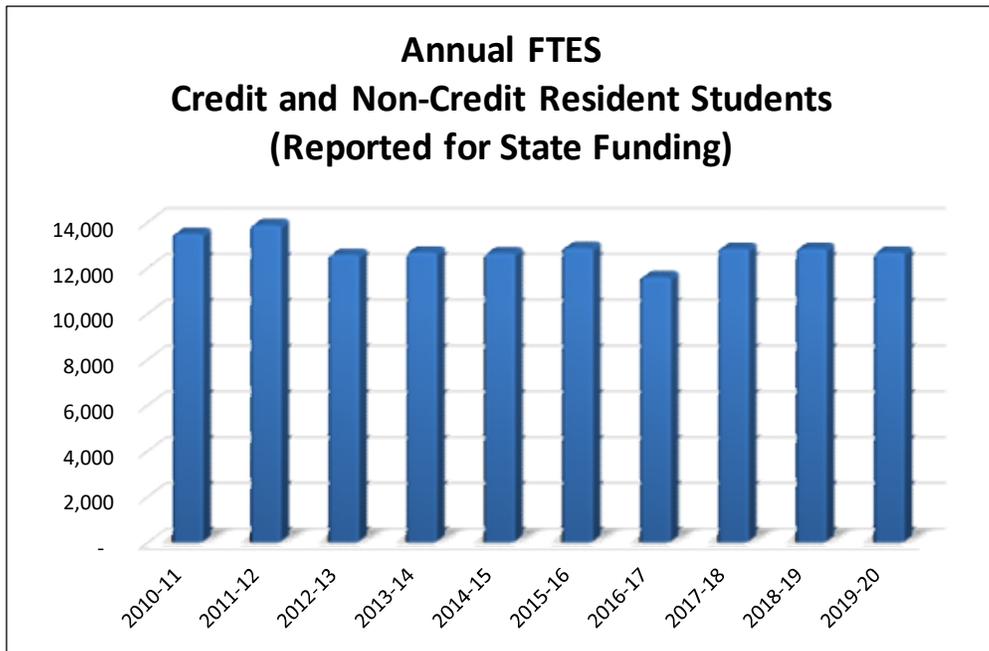
There are concerns for community colleges in that the condition of the State's budget depends on many volatile and unpredictable economic factors. This uncertainty coupled with the expectation of Cost of Living Adjustments (COLAs) remaining low in the foreseeable future, growth of Full-Time Equivalent Students remaining tenuous and continuing cost increases related to pension obligations necessitates a cautious approach to budget forecasts.

Management will continue to provide information to the Board of Trustees and the 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.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

FULL-TIME EQUIVALENT STUDENTS (FTES)

The District’s primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). See the below chart for a historical perspective on the changes in FTES over the past 10 fiscal years.



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, should be addressed to the Vice President, Finance and Business, Rio Hondo Community College District, 3600 Workman Mill Road, Whittier, California 90601.

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2020

ASSETS

Current Assets:

| | |
|--------------------------------------|----------------|
| Cash and cash equivalents | \$ 120,871,509 |
| Restricted cash and cash equivalents | 10,158,120 |
| Accounts receivable, net | 8,015,326 |
| Inventory | 47,776 |
| Prepaid expenditures | 119,269 |
| Other current assets | 91,063 |
| Total Current Assets | 139,303,063 |

Noncurrent Assets:

| | |
|-------------------------|-------------|
| Capital assets, net | 209,917,228 |
| Total Noncurrent Assets | 209,917,228 |

TOTAL ASSETS

349,220,291

DEFERRED OUTFLOWS OF RESOURCES

| | |
|------------------------------|------------|
| Deferred loss on refunding | 639,971 |
| Deferred outflows - OPEB | 4,335,078 |
| Deferred outflows - pensions | 22,258,264 |
| | 27,233,313 |

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 376,453,604

LIABILITIES

Current Liabilities:

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 12,811,503 |
| Interest payable | 1,239,583 |
| Unearned revenue | 10,676,452 |
| Due to other funds | 16,000 |
| Long-term debt, current portion | 6,980,000 |
| Total Current Liabilities | 31,723,538 |

Noncurrent Liabilities:

| | |
|-------------------------------------|-------------|
| Compensated absences | 1,016,488 |
| Net OPEB liability | 5,475,876 |
| Net pension liability | 91,670,265 |
| Long-term debt, non-current portion | 184,900,461 |
| Total Noncurrent Liabilities | 283,063,090 |

TOTAL LIABILITIES

314,786,628

DEFERRED INFLOWS OF RESOURCES

| | |
|-----------------------------|-----------|
| Deferred inflows - pensions | 5,484,047 |
| Deferred inflows - OPEB | 5,575,682 |

NET POSITION

| | |
|----------------------------------|--------------|
| Net investment in capital assets | 36,609,099 |
| Restricted for: | |
| Debt service | 10,158,120 |
| Capital projects | 25,851,223 |
| Other special purposes | 8,468,710 |
| Unrestricted | (30,479,905) |
| TOTAL NET POSITION | 50,607,247 |

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 376,453,604

**RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY
GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2020**

| | |
|---|----------------------|
| OPERATING REVENUES | |
| Tuition and fees | \$ 15,078,786 |
| Less: Scholarship discounts and allowances | (9,213,875) |
| Net tuition and fees | <u>5,864,911</u> |
| Other operating revenues | <u>1,432,772</u> |
| TOTAL OPERATING REVENUES | <u>7,297,683</u> |
| OPERATING EXPENSES | |
| Salaries | 62,511,413 |
| Employee benefits | 34,685,456 |
| Supplies, materials, and other operating expenses and services | 15,591,223 |
| Student aid | 25,627,222 |
| Depreciation | <u>8,478,340</u> |
| TOTAL OPERATING EXPENSES | <u>146,893,654</u> |
| OPERATING INCOME (LOSS) | <u>(139,595,971)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| State apportionments, noncapital | 79,077,101 |
| Local property taxes | 8,231,707 |
| Federal grants | 24,262,784 |
| State grants | 3,750,538 |
| State taxes and other revenues | 26,484,999 |
| Investment income - noncapital | 1,790,919 |
| Interest expense on capital asset-related debt | (13,563,727) |
| Other non-operating revenues | <u>5,567,935</u> |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>135,602,256</u> |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES | <u>(3,993,715)</u> |
| State apportionments, capital | 5,393,124 |
| Local property taxes and revenues, capital | <u>10,997,847</u> |
| CHANGE IN NET POSITION | <u>12,397,256</u> |
| NET POSITION -- BEGINNING OF YEAR | 38,262,622 |
| PRIOR YEAR ADJUSTMENT (SEE NOTE 15) | (52,631) |
| NET POSITION -- END OF YEAR | <u>\$ 50,607,247</u> |

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

**RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2020**

| | |
|---|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and fees | \$ 5,864,911 |
| Payments to or on behalf of employees | (96,275,316) |
| Payments to vendors for supplies and services | (19,745,975) |
| Payments to students | (25,627,222) |
| Other operating receipts | 1,432,772 |
| Net Cash Used by Operating Activities | <u>(134,350,830)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| State apportionments | 79,077,101 |
| Property taxes | 8,231,707 |
| Grants and contracts | 25,713,129 |
| State taxes and other revenues | 26,484,999 |
| Investment income | 1,790,919 |
| Other nonoperating receipts | 5,515,304 |
| Net Cash Provided by Non-capital Financing Activities | <u>146,813,159</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| State apportionment for capital purpose | 5,393,124 |
| Acquisition and construction of capital assets | (7,880,940) |
| Local property tax, capital projects | 10,997,847 |
| Principal paid on capital debt | (7,585,000) |
| Interest paid on capital debt | (7,271,677) |
| Net Cash (Used) by Capital Financing Activities | <u>(6,346,646)</u> |
| NET INCREASE IN CASH & CASH EQUIVALENTS | <u>6,115,683</u> |
| CASH & CASH EQUIVALENTS, BEGINNING OF YEAR | <u>124,913,946</u> |
| CASH & CASH EQUIVALENTS, END OF YEAR | <u>\$ 131,029,629</u> |

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

**RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2020**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

| | |
|--|--------------------------------|
| Operating loss | \$ (139,595,971) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation expense | 8,478,340 |
| Changes in Assets and Liabilities: | |
| Inventory | (1,542) |
| Prepaid items | 334,377 |
| Due from other funds | (16,000) |
| Deferred outflows - OPEB | 11,190,901 |
| Deferred outflows - pensions | 486,580 |
| Accounts payable and accrued liabilities | (4,487,587) |
| Due to other funds | 16,000 |
| Net OPEB liability | (20,562,075) |
| Net pension liability | 4,120,141 |
| Deferred inflows - pensions | 5,528,442 |
| Compensated absences | 157,564 |
| Total Adjustments | <u>5,245,141</u> |
| Net Cash Flows From Operating Activities | <u><u>\$ (134,350,830)</u></u> |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

| | Associated Student Body Fund | Auxiliary Services Organization Fund | Retiree OPEB Trust | Trust Fund Investment | Total |
|---|------------------------------------|--|--------------------------|--------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 444,768 | \$ 1,472,264 | \$ 148,677 | \$ 6,360,003 | \$ 8,425,712 |
| Investments | - | - | 59,502,952 | - | 59,502,952 |
| Accounts receivable | - | 119,540 | - | - | 119,540 |
| Due from other funds | 16,500 | - | - | - | 16,500 |
| Total Assets | 461,268 | 1,591,804 | 59,651,629 | 6,360,003 | 68,064,704 |
| LIABILITIES | | | | | |
| Accounts payable | 107,374 | 1,472,086 | - | - | 1,579,460 |
| Total Liabilities | 107,374 | 1,472,086 | - | - | 1,579,460 |
| NET POSITION | | | | | |
| Held in Trust for Student Groups | 353,894 | 119,718 | - | - | 473,612 |
| Restricted for postemployment benefits other than pensions | - | - | 59,651,629 | 6,360,003 | 66,011,632 |
| Total Net Position | \$ 353,894 | \$ 119,718 | \$ 59,651,629 | \$ 6,360,003 | \$ 66,485,244 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

| | Associated Student Body Fund | Auxiliary Services Organization Fund | Retiree OPEB Trust | Trust Fund Investment | Total |
|--|------------------------------------|--|--------------------------|--------------------------|----------------------|
| OPERATING REVENUES: | | | | | |
| Local revenue | \$ 140,052 | \$ 312,479 | \$ 7,401,532 | \$ 1,953,507 | \$ 9,807,570 |
| Total Operating Revenues | 140,052 | 312,479 | 7,401,532 | 1,953,507 | 9,807,570 |
| OPERATING EXPENSES: | | | | | |
| Salaries | 47,500 | - | - | - | 47,500 |
| Employee benefits | 2,500 | - | - | - | 2,500 |
| Services and operating expenditures | 111,518 | 268,694 | 256,234 | 14,307 | 650,753 |
| Total Operating Expenses | 161,518 | 268,694 | 256,234 | 14,307 | 700,753 |
| Net Change in Net Position | (21,466) | 43,785 | 7,145,298 | 1,939,200 | 9,106,817 |
| Net Position -- Beginning of Year | 375,360 | 75,933 | 52,506,331 | - | 52,957,624 |
| Prior Year Adjustment - (see note 15) | - | - | - | 4,420,803 | 4,420,803 |
| Net Position -- End of Year | \$ 353,894 | \$ 119,718 | \$ 59,651,629 | \$ 6,360,003 | \$ 66,485,244 |

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - ORGANIZATION

Rio Hondo Community College District (the District) was established in 1960 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering 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, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and three education centers located in El Monte, Pico Rivera, and Whittier. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. 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.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenues 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. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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 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, and No. 39. 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 - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2020, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress until completed.

Depreciation of capital assets is computed and recorded utilizing the half-year convention. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 40 years; equipment and vehicles, 5 to 15 years; and technology, 5 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension and OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

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 California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the entity-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, and the aggregate net pension obligation with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Investment in Capital Assets: consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$44,478,053 of restricted net position.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in 2004 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 84 – Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for periods beginning after December 15, 2019.

GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for periods beginning after June 15, 2021.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 - DEPOSITS AND 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 (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 - DEPOSITS AND INVESTMENTS, continued

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 | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 40% | 10% |
| Negotiable Certificates of Deposit | 5 years | 40% | 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 |

Authorizations Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments.

Deposits and investments of the Primary Government as of June 30, 2020, consist of the following:

| | |
|---------------------------|----------------|
| Cash in county treasury | \$ 127,490,180 |
| Cash on hand and in banks | 3,438,817 |
| Cash with fiscal agent | 100,632 |
| Total | \$ 131,029,629 |

Deposits and investments of the Fiduciary Funds as of June 30, 2020, consist of the following:

| | |
|---------------------------|---------------|
| Cash on hand and in banks | \$ 8,425,712 |
| Investments | 59,502,952 |
| Total | \$ 67,928,664 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 3 - DEPOSITS AND INVESTMENTS, continued

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 and Mutual Funds.

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:

| Investment Type | Book Value | Fair Value | Weighted Average Days to Maturity |
|------------------------------------|-----------------------|-----------------------|-----------------------------------|
| Los Angeles County Investment Pool | \$ 127,490,180 | \$ 127,859,137 | 590 Days |
| Mutual Funds | 59,502,952 | 59,502,952 | N/A |
| Total Investments | <u>\$ 186,993,132</u> | <u>\$ 187,362,089</u> | |

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. The District's investment in the Los Angeles County Investment Pool and Mutual Funds are not required to be rated, nor have they been rated, as of June 30, 2020.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's fiduciary bank balance of \$2,938,817 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 - 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.

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, 2020:

| Investment Type | Fair Value | Level 1 | |
|------------------------------------|----------------|---------------|----------------|
| | | Inputs | Uncategorized |
| Los Angeles County Investment Pool | \$ 127,859,137 | \$ - | \$ 127,859,137 |
| Mutual Funds | 59,502,952 | 59,502,952 | - |
| Total Investments | \$ 187,362,089 | \$ 59,502,952 | \$ 127,859,137 |

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

| | Primary Government |
|--------------------|-----------------------|
| Federal Government | \$ 4,309,613 |
| State Government | 2,775,921 |
| Local Sources | 929,792 |
| Total | <u>\$ 8,015,326</u> |

| | Fiduciary Funds |
|---------------------|--------------------|
| Other local sources | <u>\$ 119,540</u> |

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

| | Balance July 1, 2019 | Additions | Deductions | Balance June 30, 2020 |
|--|-------------------------|-------------------|---------------------|--------------------------|
| Capital Assets not being Depreciated | | | | |
| Land | \$ 7,710,208 | \$ - | \$ - | \$ 7,710,208 |
| Construction in progress | 19,744,380 | 4,245,229 | 1,265,637 | 22,723,972 |
| Total Capital Assets not being Depreciated | <u>27,454,588</u> | <u>4,245,229</u> | <u>1,265,637</u> | <u>30,434,180</u> |
| Capital Assets being Depreciated | | | | |
| Buildings and improvements | 254,976,439 | 4,695,244 | - | 259,671,683 |
| Equipment and furniture | 12,375,721 | 206,104 | - | 12,581,825 |
| Capitalized equipment | 1,742,033 | - | - | 1,742,033 |
| Total Capital Assets being Depreciated | <u>269,094,193</u> | <u>4,901,348</u> | <u>-</u> | <u>273,995,541</u> |
| Total Capital Assets | <u>296,548,781</u> | <u>9,146,577</u> | <u>1,265,637</u> | <u>304,429,721</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | 74,955,292 | 7,904,274 | - | 82,859,566 |
| Equipment and furniture | 9,336,828 | 574,066 | - | 9,910,894 |
| Capitalized equipment | 1,742,033 | - | - | 1,742,033 |
| Total Accumulated Depreciation | <u>86,034,153</u> | <u>8,478,340</u> | <u>-</u> | <u>94,512,493</u> |
| Net Capital Assets | <u>\$210,514,628</u> | <u>\$ 668,237</u> | <u>\$ 1,265,637</u> | <u>\$ 209,917,228</u> |

Depreciation expense for the year was \$8,478,340.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

| | Primary Government |
|------------------------------|-----------------------|
| Accrued payroll and benefits | \$ 8,522,610 |
| Federal | 1,970,774 |
| State | 1,292,246 |
| Other vendor payables | 1,025,873 |
| Total | <u>\$ 12,811,503</u> |
| | Fiduciary Funds |
| Other | <u>\$ 1,579,460</u> |

NOTE 8 – UNEARNED REVENUE

Unearned revenue consisted of the following:

| | Primary Government |
|---------|-----------------------|
| Federal | \$ 90,949 |
| State | 10,585,503 |
| Total | <u>\$ 10,676,452</u> |

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the primary government owed the fiduciary funds \$16,000.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 - INTERFUND TRANSACTIONS, continued

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 within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2020 fiscal year, no funds were transferred between the primary government and the fiduciary funds.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2020 fiscal year consisted of the following:

| | Balance | | | Balance | | Due Within |
|---|-----------------------|----------------------|----------------------|-----------------------|------|---------------------|
| | July 1, 2019 | Additions | Deductions | June 30, 2020 | | One Year |
| General Obligation Bonds | | | | | | |
| 2005 Series A, General obligation refunding bonds | \$ 4,085,000 | \$ - | \$ 4,085,000 | \$ - | \$ - | - |
| 2009 Series B, General obligation bonds | 11,468,171 | 620,374 | 2,290,000 | 9,798,545 | | - |
| 2010 Series C, General obligation bonds | 104,282,335 | 7,365,184 | - | 111,647,519 | | - |
| 2019 Series B, General obligation refunding bonds | 60,710,000 | - | 1,210,000 | 59,500,000 | | 6,980,000 |
| Unamortized premium | 12,167,940 | - | 1,233,543 | 10,934,397 | | - |
| Total general obligation bonds | <u>192,713,446</u> | <u>7,985,558</u> | <u>8,818,543</u> | <u>191,880,461</u> | | <u>6,980,000</u> |
| Other Long-Term Liabilities | | | | | | |
| Compensated absences | 858,924 | 157,564 | - | 1,016,488 | | - |
| Net OPEB liability | 26,037,951 | - | 20,562,075 | 5,475,876 | | - |
| Net pension liability | 87,550,124 | 4,120,141 | - | 91,670,265 | | - |
| Total Other Long-Term Liabilities | <u>114,446,999</u> | <u>4,277,705</u> | <u>20,562,075</u> | <u>98,162,629</u> | | <u>-</u> |
| Total Long-Term Obligations | <u>\$ 307,160,445</u> | <u>\$ 12,263,263</u> | <u>\$ 29,380,618</u> | <u>\$ 290,043,090</u> | | <u>\$ 6,980,000</u> |

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The accrued compensated absences and the aggregate net pension obligation will be paid by the fund for which the employee worked. The OPEB obligation will be paid by the General Fund.

Bonded Debt

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.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS, continued

The 2008 series A bond fully matured during fiscal year 2020.

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 was 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 semi-annually on February 1 and August 1. Current interest bonds bear interest at rates ranging from 3.0 percent to 5.0 percent, and the bonds mature on August 1, 2030. Capital appreciation bonds bear compounded interest at rates ranging from 6.60 percent to 6.69 percent 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 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 semi-annually on February 1 and August 1 of each year and will be payable solely at maturity, with accretion rates ranging from 6.99 percent to 12.00 percent. The bonds mature on August 1, 2038. The convertible capital appreciation bonds were 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 percent to 6.850 percent. Prior to the conversion date, interest will be compounded on each February 1 and August 1, commencing on 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 on February 1, 2025, ranging from 6.625 percent to 6.850 percent. The bonds mature on August 1, 2042.

On May 22, 2019, the District issued \$60,710,000 of Series B Refunding Bonds to refund a portion of the District's General Obligation Refunding Bonds, 2004 Election, 2005 Series A and refund a portion of the District's General Obligation Bonds, 2004 Election, 2009 Series, and pay the costs of issuance of the Bonds. Interest on the current interest bonds is payable semi-annually on February 1 and August 1. The Series B Refunding Bonds, which were rated "AA" by Standard & Poor's at the time of issuance, consist entirely of current interest bonds. Interest on the current interest bonds is payable semi-annually on February 1 and August 1. Current interest bonds bear interest at rates ranging from 4.75 percent to 5.0 percent, and the bonds mature on August 1, 2031. The total proceeds from the bond issuance amounted to \$72,902,478.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 - LONG-TERM OBLIGATIONS, continued

The outstanding general obligation bonded debt is as follows:

| Series | Issue Date | Yield | Maturity Date | Original Issue | Bonds Outstanding July 1, 2019 | Additions | Redeemed | Bonds Outstanding June 30, 2020 |
|-------------------------|------------|------------|---------------|----------------|--------------------------------|---------------------|---------------------|---------------------------------|
| 2005 Series A Refunding | 11/3/2005 | 3.00-5.00% | 8/1/2024 | \$47,117,244 | \$ 4,085,000 | \$ - | \$ 4,085,000 | \$ - |
| 2009 Series B | 3/11/2009 | 3.00-6.69% | 8/1/2033 | 64,996,844 | 11,468,171 | 620,374 | 2,290,000 | 9,798,545 |
| 2010 Series C | 12/21/2010 | 6.62-6.99% | 8/1/2042 | 60,040,980 | 104,282,335 | 7,365,184 | - | 111,647,519 |
| 2019 Series B Refunding | 5/22/2019 | 1.32-1.76% | 8/1/2030 | 60,710,000 | 60,710,000 | - | 1,210,000 | 59,500,000 |
| | | | | | <u>\$ 180,545,506</u> | <u>\$ 7,985,558</u> | <u>\$ 7,585,000</u> | <u>\$ 180,946,064</u> |

The 2005 Series A General Obligation Bonds matured during 2019-20. The final payment of \$4,085,000 was made on August 1, 2019.

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

| Fiscal Year | Principal | Interest | Accreted Interest | Total |
|-------------|---------------------|-------------|----------------------|----------------------|
| 2021 | \$ - | \$ - | \$ - | \$ - |
| 2022 | - | - | - | - |
| 2023 | - | - | - | - |
| 2024 | - | - | - | - |
| 2025 | - | - | - | - |
| 2026-2030 | - | - | - | - |
| 2031-2034 | 4,806,843 | - | 17,388,156 | 22,194,999 |
| Accretion | 4,991,702 | - | (4,991,702) | - |
| Total | <u>\$ 9,798,545</u> | <u>\$ -</u> | <u>\$ 12,396,454</u> | <u>\$ 22,194,999</u> |

The 2010 Series C General Obligation Bonds mature through 2043 as follows:

| Fiscal Year | Principal | Interest | Accreted Interest | Total |
|-------------|-----------------------|-----------------------|----------------------|-----------------------|
| 2021 | \$ - | \$ - | \$ - | \$ - |
| 2022 | - | - | - | - |
| 2023 | - | - | - | - |
| 2024 | - | - | - | - |
| 2025 | - | 3,476,420 | - | 3,476,420 |
| 2026-2030 | 784,875 | 34,764,200 | 5,010,123 | 40,559,198 |
| 2031-2035 | 6,697,277 | 34,764,200 | 24,177,725 | 65,639,202 |
| 2036-2040 | 20,413,305 | 33,895,295 | 70,106,695 | 124,415,295 |
| 2041-2043 | 32,145,522 | 8,418,560 | 47,649,478 | 88,213,560 |
| Accretion | 51,606,540 | - | (51,606,540) | - |
| Total | <u>\$ 111,647,519</u> | <u>\$ 115,318,675</u> | <u>\$ 95,337,481</u> | <u>\$ 322,303,675</u> |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 10 - LONG-TERM OBLIGATIONS, continued

The 2019 Series B General Obligation Bonds mature through 2031 as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2021 | \$ 6,980,000 | \$ 2,975,000 | \$ 9,955,000 |
| 2022 | 4,255,000 | 2,626,000 | 6,881,000 |
| 2023 | 4,840,000 | 2,413,250 | 7,253,250 |
| 2024 | 5,465,000 | 2,171,250 | 7,636,250 |
| 2025 | 6,125,000 | 1,898,000 | 8,023,000 |
| 2026-2030 | 25,350,000 | 5,644,500 | 30,994,500 |
| 2031 | 6,485,000 | 324,250 | 6,809,250 |
| Total | <u>\$ 59,500,000</u> | <u>\$ 18,052,250</u> | <u>\$ 77,552,250</u> |

Compensated Absences

At June 30, 2020, the liability for compensated absences was \$1,016,488.

Aggregate Net Pension Obligation

At June 30, 2020, the liability for the aggregate net pension obligation amounted to \$91,670,265. See Note 13 for additional information.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

Plan administration. The District's Governing Board, which consists of five locally-elected members, administers the Postemployment Benefits Plan (the Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested with the Rio Hondo Community College Retirement Board of Authority, which consists of Plan members within the District.

The following is a description of the current retiree benefit plan:

| | Faculty | Classified | Management |
|------------------------|---|--------------|---|
| Benefit types provided | Medical only | Medical only | Medical only |
| Duration of Benefits | Lifetime | Lifetime | Lifetime |
| Required Service | 15 years* | 15 years* | 5 years |
| Minimum Age | 55 | 57 | 55 |
| Dependent Coverage | Yes | Yes | Yes |
| College Contribution % | 100% | 100% | 100% |
| College Cap | With one dep: PERS Choice No deps: PERS Care | None | Hire prior to 5/11/05: With on dep: PERS choice No deps: PERS Care Hired after 5/10/05: CalPERS statutory minimum** |

*Certain grandfathered employees subject to 5 year service requirement.

**Employees hired after 5/10/2005 may elect to make contributions as an active employee to obtain lifetime coverage comparable to that available to employees hired prior to 5/11/2005.

Benefits provided. The Plan provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (RHCFA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2019-2020, the District contributed \$3,940,594 to the Plan. Plan members are not required to contribute to the Plan, however, classified management members hired after May 10, 2005, may elect to make contributions to the Plan as active employees to obtain lifetime coverage comparable to that available to employees hired prior to May 11, 2005.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2020:

| | Number of Participants |
|---------------------------------------|---------------------------|
| Inactive Employees Receiving Benefits | 320 |
| Active Employees | 495 |
| | <u>815</u> |

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Rio Hondo Community College District Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Contributions to Trust

Eligible employees are not permitted to make contributions to the Trust. The Plan administrator (CalPERS) shall, on behalf of the employer (District), make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates, but contributes in an amount sufficient to fully fund the total OPEB obligation over a period not to exceed 30 years. The District has a net OPEB liability of \$5,475,876 as of June 30, 2020.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Governing Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Governing Board's adopted asset allocation policy as of June 30, 2020:

| Asset Class | Percentage of Portfolio | Assumed Gross Return |
|-------------------------------|----------------------------|-------------------------|
| Fixed Income | 67% | 4.5% |
| Domestic Equities | 15% | 7.5% |
| International Equities | 15% | 7.5% |
| Real Estate Investment Trusts | 3% | 7.5% |
| Total | 100% | |

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2019 |
| Fiscal year | July 1st to June 30th |
| Actuarial cost methods | Entry age normal cost method |
| Inflation rate | 2.75% |
| Investment rate of return | 5.20% |
| Discount rate | 5.20% |
| Health care cost trend rate | 4.00% |
| Payroll increase | 2.75% |
| Mortality | For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used. |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Changes in the Net OPEB Liability

| | Increase/(Decrease) | | |
|----------------------------|-------------------------|---------------------------|-----------------------|
| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (a) - (b) |
| Balance July 1, 2018 | \$ 61,113,628 | \$ 35,075,677 | \$ 26,037,951 |
| Changes for the year: | | | |
| Service cost | 2,117,173 | - | 2,117,173 |
| Interest | 3,171,261 | - | 3,171,261 |
| Employer contributions | - | 17,372,841 | (17,372,841) |
| Experience gains/losses | (6,047,013) | - | (6,047,013) |
| Expected investment income | - | 2,208,118 | (2,208,118) |
| Investment gains/losses | - | 446,284 | (446,284) |
| Administrative expense | - | (223,747) | 223,747 |
| Expected benefit payments | (2,372,841) | (2,372,841) | - |
| Net change | (3,131,420) | 17,430,655 | (20,562,075) |
| Balance June 30, 2019 | \$ 57,982,208 | \$ 52,506,332 | \$ 5,475,876 |

Sensitivity of the Net Pension Liability to Assumptions

The following presents the net OPEB liability calculated using the discount rate of 5.20 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (4.20 percent) and 1 percent higher (6.20 percent):

| | Discount Rate 1% Lower (4.20%) | Current Discount Rate (5.20%) | Discount Rate 1% Higher (6.20%) |
|----------------------------|--------------------------------------|-------------------------------------|---------------------------------------|
| Net OPEB liability (asset) | \$ (1,213,705) | \$ 5,475,876 | \$ 13,647,012 |

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.0 percent) and 1 percent higher (5.0 percent):

| | Healthcare Cost Trend Rate 1% Lower (3.00%) | Healthcare Cost Current Trend Rate (4.00%) | Healthcare Cost Trend Rate 1% Higher (5.00%) |
|----------------------------|--|---|---|
| Net OPEB liability (asset) | \$ (1,156,706) | \$ 5,475,876 | \$ 13,264,520 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 – RISK MANAGEMENT

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

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 districts.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers' Retirement System (CalSTRS), and Classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ending June 30, 2020, the District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

| Pension Plan | Collective Net Pension Liability | Collective Deferred Outflows of Resources | Collective Deferred Inflows of Resources | Collective Pension Expense |
|--------------|----------------------------------|---|--|----------------------------|
| CalSTRS | \$ 54,235,543 | \$ 13,864,285 | \$ 4,902,120 | \$ 6,003,435 |
| CalPERS | 37,434,722 | 8,393,979 | 581,927 | 8,095,779 |
| Total | \$ 91,670,265 | \$ 22,258,264 | \$ 5,484,047 | \$ 14,099,214 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS) Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | STRP Defined Benefit Plan | |
|---|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 9.205%* |
| Required employer contribution rate | 17.10% | 17.10% |
| Required state contribution rate | 10.328% | 10.328% |

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contribution

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$5,783,584.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

| | | |
|---|----|-------------------|
| District's proportionate share of the net pension liability | \$ | 54,235,543 |
| State's proportionate share of the net pension liability associated with the District | | <u>29,589,348</u> |
| Total | \$ | <u>83,824,891</u> |

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.060 percent and 0.059 percent, respectively, resulting in a net increase in the proportionate share of 0.001 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$6,003,435. In addition, the District recognized pension expense and revenue of \$3,942,125 for support provided by the State. At June 30, 2020, 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 |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on plan investments | \$ - | \$ 2,088,690 |
| Differences between expected and actual experience | 136,916 | 1,527,264 |
| Changes in assumptions | 6,858,840 | - |
| Net changes in proportionate share of net pension liability | 1,084,945 | 1,286,166 |
| District contributions subsequent to the measurement date | 5,783,584 | - |
| Total | <u>\$ 13,864,285</u> | <u>\$ 4,902,120</u> |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------|--|
| 2021 | \$ 421,481 |
| 2022 | (297,507) |
| 2023 | 1,407,500 |
| 2024 | 1,972,068 |
| 2025 | (166,512) |
| Thereafter | (158,449) |
| | \$ 3,178,581 |

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Experience study | July 1, 2010, through June 30, 2015 |
| Actuarial cost method | Entry Age Normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

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.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, 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 estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (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 20-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% | 6.30% |
| Fixed Income | 12% | 0.30% |
| Real Estate | 13% | 5.20% |
| Private Equity | 13% | 9.30% |
| Cash/Liquidity | 2% | -1.00% |
| Risk Mitigating Strategies | 9% | 2.90% |
| Inflation Sensitive | 4% | 3.80% |
| | <u>100%</u> | |

*20-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's net pension liability | \$ 80,761,213 | \$ 54,235,543 | \$ 32,240,711 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS) Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|--------------------------------|--------------------|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.000% | 6.500% |
| Required employer contribution rate | 19.721% | 19.721% |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contribution

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$3,756,149.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$37,434,722. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.128 percent and 0.126 percent, respectively, resulting in a net increase of .002.

For the year ended June 30, 2020, the District recognized pension expense of \$8,095,779. At June 30, 2020, 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 |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on plan investments | \$ - | \$ 347,214 |
| Differences between expected and actual experience | 2,719,263 | - |
| Changes in assumptions | 1,782,009 | - |
| Net changes in proportionate share of net pension liability | 136,558 | 234,713 |
| District contributions subsequent to the measurement date | 3,756,149 | - |
| Total | \$ 8,393,979 | \$ 581,927 |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------|--|
| 2021 | \$ 3,088,182 |
| 2022 | 501,825 |
| 2023 | 307,413 |
| 2024 | 158,483 |
| | \$ 4,055,903 |

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Experience study | July 1, 1997, through June 30, 2011 |
| Actuarial cost method | Entry Age Normal |
| Discount rate | 7.15% |
| Investment rate of return | 7.15% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and service |

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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 ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class summarized in the following table:

| Asset Class* | Assumed Asset Allocation | Real Return Years 1 - 10** | Real Return Years 11+*** |
|---------------------|---------------------------------|-----------------------------------|---------------------------------|
| Global Equity | 50% | 4.80% | 5.98% |
| Fixed Income | 28% | 1.00% | 2.62% |
| Inflation Assets | 0% | 0.77% | 1.81% |
| Private Equity | 8% | 6.30% | 7.23% |
| Real Assets | 13% | 3.75% | 4.93% |
| Liquidity | 1% | 0.00% | -0.92% |
| | 100% | | |

*In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.0% used for this period

***An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

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

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's net pension liability | \$ 53,959,690 | \$ 37,434,722 | \$ 23,726,118 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to \$4,127,394. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

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 District at June 30, 2020.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

| Fiscal Year | Amount |
|-------------|------------------|
| 2021 | 42,662 |
| 2022 | 20,863 |
| 2023 | 2,565 |
| 2024 | 2,191 |
| 2025 | 446 |
| Total | <u>\$ 68,727</u> |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 14 - COMMITMENTS AND CONTINGENCIES, continued

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

| Capital Project | Spent to Date | Remaining Construction Commitment | Expected Date of Completion |
|-----------------------------------|----------------------|---|--------------------------------|
| L-Tower Seismic and Code Upgrades | 15,905,662 | 12,873,338 | 12/31/2020 |
| | <u>\$ 15,905,662</u> | <u>\$ 12,873,338</u> | |

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

NOTE 15 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2020 through February 18, 2021, the date the financial statements were issued. The District noted no subsequent events that have occurred which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020**

| | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|
| Total OPEB liability | | | |
| Service cost | \$ 2,117,173 | \$ 2,060,509 | \$ 2,005,362 |
| Interest | 3,171,261 | 3,026,763 | 2,886,839 |
| Benefit payments | (2,372,841) | (2,300,743) | (2,212,253) |
| Net change in total OPEB liability | (3,131,420) | 2,786,529 | 2,679,948 |
| Total OPEB liability, beginning of year | 61,113,628 | 58,327,099 | 55,647,152 |
| Total OPEB liability, end of year (a) | \$ 57,982,208 | \$ 61,113,628 | \$ 58,327,100 |
| Plan fiduciary net position | | | |
| Employer contributions | \$ 17,372,841 | \$ 15,800,743 | \$ 12,212,253 |
| Investment income | 2,208,118 | 1,436,541 | 969,430 |
| Investment gains/losses | 446,284 | (657,474) | - |
| Administrative expense | (223,747) | (158,368) | (96,324) |
| Expected benefit payments | (2,372,841) | (2,300,743) | (2,212,253) |
| Change in plan fiduciary net position | 17,430,655 | 14,120,699 | 10,873,106 |
| Fiduciary trust net position, beginning of year | 35,075,677 | 20,954,978 | 10,081,872 |
| Fiduciary trust net position, end of year (b) | \$ 52,506,332 | \$ 35,075,677 | \$ 20,954,978 |
| Net OPEB liability (asset), ending (a) - (b) | \$ 5,475,876 | \$ 26,037,951 | \$ 37,372,122 |
| Covered payroll | \$61,297,171 | \$54,781,403 | \$54,781,403 |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 91% | 57% | 36% |
| Net OPEB liability (asset) as a percentage of covered payroll | 9% | 48% | 68% |

Note: In the future, as data becomes available, ten years of information will be presented.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF CONTRIBUTIONS – OPEB
 FOR THE YEAR ENDED JUNE 30, 2020**

| | 2020 | 2019 | 2018 |
|---|---------------------|------------------------|-----------------------|
| Actuarially determined contribution | \$ 2,319,394 | \$ 2,372,841 | \$ 2,300,743 |
| Contributions in relations to the actuarially determined contribution | 3,940,594 | 15,800,743 | 12,212,253 |
| Contribution deficiency (excess) | <u>\$ 2,319,394</u> | <u>\$ (15,000,000)</u> | <u>\$ (9,911,510)</u> |
| | | | |
| Covered-employee payroll | \$ 61,297,171 | \$ 54,281,403 | \$ 54,781,403 |
| | | | |
| Contribution as a percentage of covered-employee payroll | 6.43% | 29.11% | 22.29% |

Note: In the future, as data becomes available, ten years of information will be presented.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020**

| CalSTRS | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 0.060% | 0.059% | 0.058% | 0.060% | 0.065% | 0.065% |
| District's proportionate share of the net pension liability | \$ 54,235,543 | \$ 53,851,035 | \$ 53,790,703 | \$ 48,849,511 | \$ 43,760,600 | \$ 37,984,050 |
| State's proportionate share of the net pension liability associated with the District | 29,589,348 | 30,833,719 | 31,822,385 | 27,809,155 | 23,128,021 | 22,812,498 |
| Total | \$ 83,824,891 | \$ 84,684,754 | \$ 85,613,088 | \$ 76,658,666 | \$ 66,888,621 | \$ 60,796,548 |
| District's covered - employee payroll | \$ 33,056,001 | \$ 33,056,001 | \$ 34,671,040 | \$ 24,950,084 | \$ 30,728,908 | \$ 28,794,776 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 164% | 163% | 155% | 196% | 142% | 132% |
| Plan fiduciary net position as a percentage of the total pension liability | 73% | 71% | 69% | 70% | 74% | 77% |
| CalPERS | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 0.128% | 0.126% | 0.126% | 0.125% | 0.128% | 0.129% |
| District's proportionate share of the net pension liability | \$ 37,434,722 | \$ 33,699,089 | \$ 29,995,084 | \$ 24,654,995 | \$ 18,947,983 | \$ 14,621,936 |
| District's covered - employee payroll | \$ 15,730,545 | \$ 15,730,545 | \$ 19,620,965 | \$ 14,046,189 | \$ 14,501,020 | \$ 13,516,527 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 238% | 214% | 153% | 176% | 131% | 108% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 71% | 72% | 74% | 79% | 83% |

Note: In the future, as data becomes available, ten years of information will be presented.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2020**

| CaSTRS | Reporting Fiscal Year | | | | | |
|--|------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 5,783,584 | \$ 5,381,517 | \$ 5,003,031 | \$ 4,191,757 | \$ 2,677,144 | \$ 2,728,727 |
| District's contributions in relation to the statutorily required contribution | 5,783,584 | 5,381,517 | 5,003,031 | 4,191,757 | 2,677,144 | 2,728,727 |
| District's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 31,900,629 | \$ 33,056,001 | \$ 34,671,040 | \$ 33,320,803 | \$ 24,950,084 | \$ 30,728,908 |
| District's contributions as a percentage of covered-employee payroll | 18.13% | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% |
| | Reporting Fiscal Year | | | | | |
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| CaPERS | | | | | | |
| Statutorily required contribution | \$ 3,756,149 | \$ 2,841,251 | \$ 2,725,352 | \$ 2,270,696 | \$ 1,664,052 | \$ 1,706,770 |
| District's contributions in relation to the statutorily required contribution | 3,756,149 | 2,841,251 | 2,725,352 | 2,270,696 | 1,664,052 | 1,706,770 |
| District's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 19,046,443 | \$ 15,730,545 | \$ 17,548,950 | \$ 16,350,058 | \$ 14,046,189 | \$ 14,501,020 |
| District's contributions as a percentage of covered-employee payroll | 19.72% | 18.06% | 15.53% | 13.89% | 11.85% | 11.77% |

Note: In the future, as data becomes available, ten years of information will be presented.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of Contributions – OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of the Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in assumptions since the previous valuations for both CalSTRS and CalPERS.

Schedule of Contributions – Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

**RIO HONDO COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2020**

Rio Hondo Community College District was established by election in October 1960 and is comprised of an area of approximately 65.6 square miles, which includes the cities of Whittier, Pico Rivera, Santa Fe Springs, and South El Monte, as well as portions of El Monte, Norwalk, La Mirada, La Puente, Industry, and unincorporated areas of Los Angeles County. There were no changes in the boundaries of the District during the current year.

The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

As of June 30, 2020, the Board of Trustees and District Executive Officers are composed of the following members:

GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|------------------|-----------------|------------------------|
| Oscar Valladares | President | December 2022 |
| Rosaelva Lomeli | Vice President | December 2022 |
| Vicky Santana | Clerk | December 2020 |
| Gary Mendez | Member | December 2020 |
| Marela Rodas | Student Trustee | Resigned February 2020 |

DISTRICT ADMINISTRATION

Teresa Dreyfuss*
Superintendent/President

Stephen Kibui**
Vice President, Finance and Business

Dr. Laura Ramirez
Vice President, Academic Affairs

Henry Gee***
Vice President, Student Services

*Teresa Dreyfuss active July 2020

**Stephen Kibui active October 2021

***Henry Gee retired July 2020

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH ENTITY IDENTIFYING NUMBER* | FEDERAL EXPENDITURES |
|--|----------------|---|-------------------------|
| U.S. Department of Education | | | |
| Direct | | | |
| Student Financial Assistance Cluster | | | |
| Federal Pell Grant Program | 84.063 | * | \$ 19,603,952 |
| Federal Supplemental Education Opportunity Grants | 84.007 | * | 401,430 |
| Federal Work Study Program | 84.033 | * | 281,721 |
| Federal Direct Student Loans | 84.268 | * | 393,578 |
| Postsecondary Educational Scholarship For Veteran's Dependents | 84.408 | * | 55,794 |
| Total Student Financial Aid Cluster | | | 20,736,475 |
| TRIO Cluster | | | |
| Student Support Services | 84.042 | * | 294,593 |
| SSS STEM Program | 84.042A | * | 246,198 |
| Total TRIO Cluster | | | 540,791 |
| The "Avance" Project (TAP) | 84.031S | * | 647,650 |
| Child Care Access Means Parents in School Program | 84.335A | * | 246,091 |
| Passed Through California Community Colleges Chancellor's Office | | | |
| Title I, Part C | 84.048A | * | 514,389 |
| CARES Act: High Education Emergency Relief Fund | | | |
| Student Portion | 84.425E | * | 1,014,800 |
| Institutional Portion | 84.425F | * | 161,280 |
| Minority Serving Institutions (HIS) | 84.425L | * | 48,023 |
| Total U.S. Department of Education | | | 23,909,499 |
| U.S. Department of Agriculture | | | |
| Passed Through California Department of Education | | | |
| Child and Adult Care Food Program | 10.558 | CSPP-8249 | 30,929 |
| Total U.S. Department of Agriculture | | | 30,929 |
| U.S. Department of Health and Human Services | | | |
| Passed Through California Community Colleges Chancellor's Office | | | |
| Temporary Assistance for Needy Families | 93.558 | * | 76,575 |
| Foster and Kinship Care Education | 93.658 | * | 66,969 |
| Total U.S. Department of Health and Human Services | | | 143,544 |
| U.S. Department of Homeland Security (DHS) | | | |
| The Federal Emergency Mngement Agency (FEMA) | 97.036 | * | 90,437 |
| Total U.S. Department of Homeland Security | | | 90,437 |
| Research and Development Cluster | | | |
| National Science Foundation | | | |
| Auto Transit | 47.076 | * | 75,366 |
| Total Research and Development Cluster | | | 75,366 |
| Total Federal Programs | | | \$ 24,249,775 |

* Pass-through entity identifying number not applicable or unavailable

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

| Program Name | Program Revenues | | | | Total Program Expenditures |
|---|------------------|---------------------|------------------|---------------|----------------------------|
| | Cash Received | Accounts Receivable | Deferred Revenue | Total | |
| State Categorical Aid Programs | | | | | |
| Access to Print and Electronic Info | \$ 11,377 | \$ - | \$ - | \$ 11,377 | \$ 11,377 |
| Adult Ed Block Grant | 808,782 | - | 336,462 | 472,320 | 472,320 |
| Apprentice Allowance | 2,297,984 | - | - | 2,297,984 | 2,297,984 |
| CARE | 247,067 | - | - | 247,067 | 247,067 |
| California College Promise | 532,056 | - | 379,360 | 152,696 | 152,696 |
| CALWORKS | 449,762 | - | - | 449,762 | 449,762 |
| CHILDCARE Bailout | 13,209 | - | - | 13,209 | 13,209 |
| College Promise (Bogg Fee Waiver) | 178,132 | - | - | 178,132 | 178,132 |
| DSPS | 1,156,338 | - | - | 1,156,338 | 1,156,338 |
| Deaf and Hard Hearing | 3,643 | - | - | 3,643 | 3,643 |
| EOPS | 1,845,697 | - | - | 1,845,697 | 1,845,697 |
| Equal Employment Opportunity | 50,000 | - | - | 50,000 | 50,000 |
| Financial Aid Technology | 72,748 | - | - | 72,748 | 72,748 |
| Foster Care Education | 156,002 | 59,448 | - | 215,450 | 215,450 |
| Full-Time Faculty Hiring | 589,666 | - | - | 589,666 | 589,666 |
| Guided Pathways | 355,037 | - | 173,852 | 181,185 | 181,185 |
| Hunger Free Campus | 45,655 | - | - | 45,655 | 45,655 |
| Nursing Education | 202,963 | - | - | 202,963 | 202,963 |
| Part-time Faculty Compensation | 276,832 | - | - | 276,832 | 276,832 |
| Physical Plan and Instructional Support | 157,234 | - | - | 157,234 | 157,234 |
| SFAA | 550,726 | - | - | 550,726 | 550,726 |
| Strong Workforce Program | 1,234,256 | - | 823,000 | 411,256 | 411,256 |
| Student Equity and Achivement | 5,556,661 | - | 1,681,005 | 3,875,656 | 3,875,656 |
| Student Success Completion | 2,133,406 | - | 2,133,406 | - | - |
| Veteran Resource Center | 72,748 | - | - | 72,748 | 72,748 |
| Subtotal | \$ 18,997,981 | \$ 59,448 | \$ 5,527,085 | \$ 13,530,344 | \$ 13,530,344 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2020**

| CATEGORIES | Reported Data | Audit Adjustments | Audited Data |
|---|------------------|----------------------|------------------|
| A. Summer Intersession (Summer 2019 only) | | | |
| 1. Noncredit | 33.65 | - | 33.65 |
| 2. Credit | 1,354.85 | - | 1,354.85 |
| B. Summer Intersession (Summer 2020 - Prior to July 1, 2020) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 1.52 | - | 1.52 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 8,039.42 | - | 8,039.42 |
| (b) Daily Census Contact Hours | 689.13 | - | 689.13 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit | 219.95 | - | 219.95 |
| (b) Credit | 776.78 | - | 776.78 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 921.10 | - | 921.10 |
| (b) Daily Census Contact Hours | 496.72 | - | 496.72 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| D. Total FTES | 12,533.12 | - | 12,533.12 |
| Supplemental Information (subset of above information) | | | |
| E. In-service Training Courses | 253.60 | - | 253.60 |
| F. Basic Skills Courses and Immigrant Education | | | |
| 1. Credit | 131.09 | - | 131.09 |
| 2. Noncredit | 46.92 | - | 46.92 |
| Total Basic Skills FTES | 178.01 | - | 178.01 |

*Annual totals were report. The District totaled submitted CCFS 317 which 12,711.65 FTES.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2020**

| | Object/ TOP Codes | Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100 | | | Activity (ECSE) ECS 84362 B Total CEE AC 0100-6799 | | |
|--|-------------------------|--|----------------------|---------------|---|----------------------|---------------|
| | | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| <u>Academic Salaries</u> | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | \$ 14,389,399 | \$ - | \$ 14,389,399 | \$ 14,389,499 | \$ - | \$ 14,389,499 |
| Other | 1300 | 15,578,880 | - | 15,578,880 | 16,070,935 | - | 16,070,935 |
| Total Instructional Salaries | | 29,968,279 | - | 29,968,279 | 30,460,434 | - | 30,460,434 |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 7,191,684 | - | 7,191,684 |
| Other | 1400 | - | - | - | 447,743 | - | 447,743 |
| Total Non-Instructional Salaries | | - | - | - | 7,639,427 | - | 7,639,427 |
| Total Academic Salaries | | 29,968,279 | - | 29,968,279 | 38,099,861 | - | 38,099,861 |
| <u>Classified Salaries</u> | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 11,415,671 | - | 11,415,671 |
| Other | 2300 | - | - | - | 648,403 | - | 648,403 |
| Total Non-Instructional Salaries | | - | - | - | 12,064,074 | - | 12,064,074 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 1,746,848 | - | 1,746,848 | 1,753,503 | - | 1,753,503 |
| Other | 2400 | 501,240 | - | 501,240 | 501,240 | - | 501,240 |
| Total Instructional Aides | | 2,248,088 | - | 2,248,088 | 2,254,743 | - | 2,254,743 |
| Total Classified Salaries | | 2,248,088 | - | 2,248,088 | 14,318,817 | - | 14,318,817 |
| Employee Benefits | 3000 | 13,924,974 | - | 13,924,974 | 25,594,279 | - | 25,594,279 |
| Supplies and Materials | 4000 | - | - | - | 723,293 | - | 723,293 |
| Other Operating Expenses | 5000 | 2,068,383 | - | 2,068,383 | 7,838,080 | - | 7,838,080 |
| Equipment Replacement | 6420 | - | - | - | - | - | - |
| Total Expenditures Prior to Exclusions | | 48,209,724 | - | 48,209,724 | 86,574,330 | - | 86,574,330 |
| <u>Exclusions</u> | | | | | | | |
| Activities to Exclude | | | | | | | |
| Inst. Staff-Retirees' Benefits and Incentives | 5900 | 4,649,517 | - | 4,649,517 | 4,649,517 | - | 4,649,517 |
| Std. Health Svcs. Above Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | - | - | - |
| Non-inst.Staff-Retirees' Benefits and Incentives | 6740 | - | - | - | 3,180,302 | - | 3,180,302 |
| Object to Exclude | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 32,670 | - | 32,670 |
| Lottery Expenditures | | - | - | - | - | - | - |
| Academic Salaries | 1000 | - | - | - | - | - | - |
| Classified Salaries | 2000 | - | - | - | - | - | - |
| Employee Benefits | 3000 | - | - | - | - | - | - |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | - | - | - |
| Books, Magazines & Periodicals | 4200 | - | - | - | - | - | - |
| Instructional Supplies & Materials | 4300 | - | - | - | - | - | - |
| Non-inst. Supplies & Materials | 4400 | - | - | - | - | - | - |
| Total Supplies and Materials | | - | - | - | - | - | - |
| Other Operating Expenses and Services | 5000 | - | - | - | 2,005,820 | - | 2,005,820 |
| Capital Outlay | 6000 | - | - | - | - | - | - |
| Library Books | 6300 | - | - | - | 30,355 | - | 30,355 |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | 52,100 | - | 52,100 |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Total Equipment | | - | - | - | 52,100 | - | 52,100 |
| Total Capital Outlay | | - | - | - | 82,455 | - | 82,455 |
| Other Outgo | 7000 | - | - | - | - | - | - |
| Total Exclusions | | \$ 4,649,517 | \$ - | \$ 4,649,517 | \$ 9,950,764 | \$ - | \$ 9,950,764 |
| Total for ECS 84362, 50% Law | | \$ 43,560,207 | \$ - | \$ 43,560,207 | \$ 76,623,566 | \$ - | \$ 76,623,566 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | | 56.85% | 0.00% | 56.85% | 100.00% | 0.00% | 100.00% |
| 50% of Current Expense of Education | | \$ - | \$ - | \$ - | \$ 38,311,783 | \$ - | \$ 38,311,783 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

| June 30, 2020 | Student Financial Aid Assistance | Trust Fund Investment |
|--|--|-----------------------------|
| Annual Financial and Budget Report (CCFS-311) | | |
| Fund Balance | \$ 846,688 | \$ - |
| Adjustments and reclassifications increasing (decreasing) the fund balance: | | |
| Decrease in accounts payable and accrued expenses | (52,631) | 4,420,803 |
| Net Adjustments and Reclassifications | (52,631) | 4,420,803 |
| Audited Financial Statements Fund Balance | \$ 794,057 | \$ 4,420,803 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2020**

| | |
|-------------|--------------|
| EPA Revenue | \$ 9,675,991 |
|-------------|--------------|

| Activity Classification | Activity Code | Salaries and Benefits | Operating Expenses | Capital Outlay | Total |
|--------------------------|---------------|-----------------------|--------------------|----------------|--------------|
| | | (Obj 1000-3000) | (Obj 4000-5000) | (Obj 6000) | |
| Instructional Activities | 0100-5900 | \$ 9,675,991 | - | - | \$ 9,675,991 |
| Total | | \$ 9,675,991 | - | - | \$ 9,675,991 |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

| | | |
|--|---------------------|----------------------|
| Total Fund Equity - District Funds Included in the Reporting Entity | | \$ 115,851,739 |
| Assets recorded within the statements of net position not included in the District fund financial statements: | | |
| Nondepreciable capital assets | \$ 30,434,180 | |
| Depreciable capital assets | 273,995,541 | |
| Accumulated depreciation | <u>(94,512,493)</u> | 209,917,228 |
| Deferred outflows recorded within the statement of net position not included in the District fund financial statements: | | |
| Deferred loss on refunding | | 639,971 |
| Deferred outflows - OPEB | | 4,335,078 |
| Deferred outflows - pensions | | 22,258,264 |
| Liabilities recorded within the statements of net position not recorded in the District fund financial statements: | | |
| Compensated absences | | (1,016,488) |
| Net OPEB liability | | (5,475,876) |
| Net pension liability | | (91,670,265) |
| Long-term debt | | (191,880,461) |
| Unmatured Interest | | (1,239,583) |
| Deferred inflows recorded within the statement of net position not included in the District fund financial statements: | | |
| Deferred inflows - pensions | | (5,484,047) |
| Deferred Inflows - OPEB | | (5,575,682) |
| Prior period adjustment (See Note 15) | | <u>(52,631)</u> |
| Net Position Reported Within the Statements of Net Position | | <u>\$ 50,607,247</u> |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 - PURPOSE OF SCHEDULES

District Organizational Structure

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Revenues and Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of the ECS 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 - PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Fund Equity to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model

OTHER INDEPENDENT AUDITORS' REPORTS



INDEPENDENT AUDITORS' 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

The Board of Trustees
Rio Hondo Community College District
Whittier, California

We have audited, 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, the financial statements of the business-type activities and the aggregate remaining fund information of Rio Hondo Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 18, 2021.

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 District'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 over financial reporting 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
February 18, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees
Rio Hondo Community College District
Whittier, California

Report on Compliance for Each Major Federal Program

We have audited Rio Hondo Community College District's (the District) compliance 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, 2020. The District's major Federal programs are identified in the Summary of Auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each 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 types of compliance 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, 2020.

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 major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 may exist that have not been identified.

Purpose of this Report

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.

CWDL, Certified Public Accountants

San Diego, California
February 18, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Rio Hondo Community College District
Whittier, California

Report on State Compliance

We have audited Rio Hondo Community College District's (the District) compliance with the types of compliance requirements as identified in the *California Community Colleges Contracted District Audit Manual (CDAM) 2019-20*, issued by the California Community College Chancellor's Office, that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the *California Community Colleges Contracted District Audit Manual 2019-20*.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

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 *California Community Colleges Contracted District Audit Manual 2019-20*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2019-20*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2020.

Procedures Performed

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

- Section 411 – SCFF Data Management Control Environment
- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded from Other Sources
- Section 424 – Student Centered Funding Formula Base Allocation: FTES
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy Fund
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds

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) 2019-20*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
February 18, 2021

FINDINGS AND QUESTIONED COSTS SECTION

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

FINANCIAL STATEMENTS

| | |
|--|-------------------|
| Type of auditors' report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>No</u> |
| Non-compliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|--|-------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>No</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards | <u>No</u> |
| Identification of major programs: | |

| <u>CFDA Numbers</u> | <u>Name of Federal Program of Cluster</u> |
|--|--|
| <u>84.007, 84.033 84.063, 84.268, 84.408</u> | <u>Student Financial Aid Cluster</u> |
| <u>84.425E, 84.425F, 84.425L</u> | <u>CARES Act: High Education Emergency Relief Fund</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>No</u> |

STATE AWARDS

| | |
|--|-------------------|
| Internal control over State programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>None Noted</u> |
| Type of auditors' report issued on compliance for State programs: | <u>Unmodified</u> |

**RIO HONDO COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no financial statement audit findings or questioned costs identified during 2019-20.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2019-20.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2019-20.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-001 FEDERAL COMPLIANCE (GLBA)

Criteria

The Gramm-Leach Bliley Act (GLBA) requires districts to have a documented response to the Safeguards Rule. Specifically, this response covers key requirements including:

- Designate an information security officer and related oversight responsibilities for the institution's security.
- Assess the risks to confidential information, assess the level of mitigating controls in place, and identify action plans to accept or further mitigate remaining risks.
- Implement an information security program, including various technical and physical underlying controls, such as data encryption and secure shredding processes.
- Oversee vendor relationships to ensure confidential data are secured at their locations when applicable and access is controlled when vendors connect to the institution.
- Perform an ongoing evaluation of their program to keep content current with an ever-evolving security environment.

Condition

We noted that the development of the response is currently underway with anticipated completion and implementation during 2019-20.

Questioned Costs- Not applicable

Context

Compliance with GLBA requirements

Effects

The intent of the GLBA Safeguards Rule is to enhance security over confidential information. Without a documented response to all applicable requirements, the District is more susceptible to IT vulnerabilities than it would be following full implementation.

Cause

The law was effective towards the end of the fiscal and provided minimal amount of time to administration to implement. Steps taken in response to GLBA compliance requirements will require extensive administrative efforts to implement.

Recommendation

The District should continue towards full implementation of its documented response to the GLBA Safeguards Rule in the 2019-20 year.

Corrective Action Plan

We are currently the process of fully implementing the GLBA Safeguard Rule.

Status

Fully corrected

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-002 STATE COMPLIANCE (STATE GENERAL APPORTIONMENT FUNDING SYSTEM)

Criteria

The census type determination made by the District, in the instance of courses where there are multiple allowable census types available, should be the census type that results in the greatest amount of FTES funding for the District (5 CCR 58003.1(d) and 5 CCR 58003.1(g)).

Condition

During our testing of 70 courses reported under the alternative attendance method, we noted 11 courses that would have been eligible for classification as daily census type courses.

Questioned Costs

Not applicable.

Cause

Clerical oversight.

Effect

While the District met compliance requirements for alternative attendance method courses, a greater amount of FTES funding would have been generated by designating the courses as daily census type.

Recommendation

We recommend that the District examine courses by census type and take measures to ensure that in all instances where multiple census type options are available, the District selects the most advantageous based on FTES funding.

Corrective Action Plan

Changes were made immediately to the affected courses for the District to maximize on FTES funding.

Status

Fully corrected

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-003 STATE COMPLIANCE (GANN LIMIT)

Criteria

Article XIII B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit. Auditors are required to vouch from the calculation down to source documentation including the prior year calculation itself.

Condition

We noted that the FY1920 GANN limit calculation indicated a prior year appropriations limit that did not agree with the prior year GANN limit calculation. The FY1920 GANN limit indicated a prior year limit of \$130,548,099, while the FY1819 GANN limit calculation amounted to \$130,550,665.

Questioned Costs

Not applicable.

Context

Compliance with Article XIII B of the California Constitution and Chapter 1205, Statutes of 1980.

Effects

The FY1920 GANN limit is misstated by the amount of the beginning balance variance, \$(2,566).

Cause

Clerical oversight.

Recommendation

The District should increase review over the annual calculation of the GANN limit to ensure correctness.

Corrective Action Plan

We will double check the future calculations and a review will be performed by an independent person.

Status

Fully corrected