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RIO HONDO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

RIO HONDO COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of Rio Hondo Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rio Hondo Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statements No. 91, Conduit Debt Obligations; GASB Statements No., 92, Omnibus 2020; GASB Statements No., 93, Replacement of Interbank Offered Rates (IBOR); GASB Statements No., 94, Public-Private & Public-Public Partnerships and Availability Payment Arrangements; and GASB Statements No., 96, Subscription-based Information Technology Arrangements; for the year ending June 30, 2023. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, 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.

Supplementary 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis section and unaudited supplementary information section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2023, 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.



San Diego, California
December 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

RIO HONDO COMMUNITY COLLEGE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

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, 2023. 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, 2023. 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, 2023**

FINANCIAL HIGHLIGHTS

- The District ended fiscal year 2022-23 with an Unrestricted General Fund balance of \$55.2 million. The amount is well above the two months of operation reserve the Unrestricted General fund per Board Policy.
- FTES totaled 10,047 compared to 11,381 in the previous year representing a decrease of 11.7%, and an overall decrease of 23% from pre-COVID-19 pandemic level. The decline in enrollment over the last several years was attributable to a several of factors including COVID-19 pandemic, 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 June 26, 2023 with a valuation date of June 30, 2022 and measurement date of June 30, 2022. At June 30, 2023, the District's total Other Post Employment Benefit Plan (OPEB) Liability was \$69.8 million and the Fiduciary Net Position of the trust was \$56.4 million, leaving a Net OPEB Liability of \$13.3 million.
- The District provided Financial Aid to qualifying students during the year amounting to \$44.2 million, an increase of 20.9 million from prior year total of \$23.3 million. This aid is provided through grants, loans, institutional and outside scholarships, work study from the Federal government, the State, and local funding. Included in the total was direct cash aid to students of \$9.2 million received from the federal government for Higher Education Emergency Relief Funds (HEERF) to help students deal with impact of COVID-19.

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 \$119.8 million primarily due to an increase in cash receipts from federal and state governments.
- The net movement in noncurrent assets by approximately \$2.2 million due to the acquisition of additional capital assets, construction in progress of L-Tower building, Wray Theater, and Campus-Inn, for approximately \$11.2 million and the accumulated depreciation of \$9.0 million.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

STATEMENT OF NET POSITION, continued

- Deferred outflows of resources increased by approximately \$14.6 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 recognized deferred outflows of resources related to OPEB in the District-wide financial statements of \$10.5 million. The deferred outflows related to the OPEB obligations increased by \$7.5 million from the prior year. Pursuant to GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, the District recognized deferred outflows of resources related to pensions in the District-wide financial statements in the amounts of \$27.2 million. The deferred outflows related to pension obligations increased by \$7.1 million from the prior year.
- Current liabilities increased by approximately \$4.6 million due to increase in accounts payable and accrued expenses.
- Non-current liabilities increased by approximately \$111.4 million. 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 \$30.6 million during the year primarily because of lower than projected investment earnings and changes in assumptions. Net OPEB liability increased by \$14.7 million from prior year primarily due to unrealized gain on OPEB funding which increased from \$59.6 million to \$67.6 million. Long term debt increased by \$62 million from prior year due to issuance of Series D Bond.
- Deferred inflows of resources decreased by approximately \$27.4 million 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 inflows of resources related to pensions in the District-wide financial statements in the amounts of \$10 million. The deferred inflows related to pension obligations decreased by \$27.4 million from the prior year. Pursuant to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, the District recognized deferred inflows of resources related to OPEB in the District-wide financial statements of \$3.3 million. The deferred inflows related to OPEB obligations decreased by \$5.6 million from the prior year.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

STATEMENT OF NET POSITION, continued

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022	Change
Current assets	\$ 302,867,341	\$ 183,050,505	\$ 119,816,836
Non-current assets	223,535,291	221,329,171	2,206,120
Deferred outflows of resources	37,943,788	23,346,579	14,597,209
Total Assets and Deferred Outflows of Resources	564,346,420	427,726,255	136,620,165
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	71,360,046	66,730,195	4,629,851
Non-current liabilities	359,630,866	248,256,699	111,374,167
Deferred inflows of resources	10,003,808	37,411,130	(27,407,322)
Total Liabilities and Deferred Inflows of Resources	440,994,720	352,398,024	88,596,696
NET POSITION			
Invested in capital assets, net of related debt	19,195,878	26,134,716	(6,938,838)
Restricted	78,897,916	47,228,270	31,669,646
Unrestricted	22,005,439	(6,855,782)	28,861,221
Total Net Position	\$ 120,099,233	\$ 66,507,204	\$ 53,592,029

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 \$1.5 million as students slowly return to campus.
- Other operating revenues consist of rental and leases incomes, retirees' contributions to health premiums, and other miscellaneous incomes.
- The net movement 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.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

- 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, decreased from prior year due to impact of COVID-19 pandemic, however, the District provided direct cash aid to students of \$9.2 million received from the federal government for Higher Education Emergency Relief Funds (HEERF) to help students deal with impact of COVID-19.
- Increase in depreciation is due to additions in capital assets.
- Increase in state apportionments is primarily due the fact that the District is paid at a higher FTES for COVID-19 Emergency Funding Protection for the Student-Centered Funding Formula as a result of Lower FTES caused by decreased enrollment impact of COVID-19 pandemic.
- The increase in local property tax reflects the growth trend of the local property tax base.
- Federal grants have increased by \$26.6 million due to additional grants awarded to the District from federal sources.
- State taxes and other revenues have increased by \$35.7 million 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 high interest.
- Interest expense represents the accreted interest charges for the long-term bonds.
- State capital income increased as a result of the payments of capital outlay reimbursements for the music Wray Theater project by the State of California.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

	2023	2022	Change
OPERATING REVENUES			
Tuition and fees (net)	\$ 6,556,141	\$ 5,016,518	\$ 1,539,623
Other operating revenues	1,460,161	758,549	701,612
Total Operating Revenues	8,016,302	5,775,067	2,241,235
OPERATING EXPENSES			
Salaries and benefits	105,604,790	92,360,934	13,243,856
Supplies, materials, and other operating expenses	34,798,656	17,557,963	17,240,693
Student financial aid	60,132,023	33,525,349	26,606,674
Depreciation	8,974,312	8,813,729	160,583
Total Operating Expenses	209,509,781	152,257,975	57,251,806
Operating Loss	(201,493,479)	(146,482,908)	(55,010,571)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments	99,158,526	91,379,309	7,779,217
Local property taxes	10,155,768	8,961,934	1,193,834
Federal grants	59,471,895	32,831,364	26,640,531
State grants	5,874,309	3,647,620	2,226,689
State taxes and other revenues	66,354,866	30,634,010	35,720,856
Investment income	5,319,408	542,851	4,776,557
Interest expense	(19,062,496)	(11,057,203)	(8,005,293)
Other non-operating revenues	9,851,757	2,057,876	7,793,881
Total Non-Operating Revenues (Expenses)	237,124,033	158,997,761	78,126,272
OTHER REVENUES (EXPENSES)			
State capital income	9,153,464	585,686	8,567,778
Local property taxes and revenues, capital	8,808,011	6,958,422	1,849,589
Total Other Revenues (Expenses)	17,961,475	7,544,108	10,417,367
CHANGE IN NET POSITION	53,592,029	20,058,961	31,683,479
NET POSITION -- BEGINNING OF YEAR	66,507,204	46,448,243	20,058,961
NET POSITION -- END OF YEAR	\$ 120,099,233	\$ 66,507,204	\$ 51,742,440

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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	60,144,074	6,177,191	-	-	\$ 66,321,265
Academic support	11,808,322	13,953,060	-	-	25,761,382
Student services	17,733,406	2,500,409	-	-	20,233,815
Operation & maintenance of plant	4,883,012	(465,115)	-	-	4,417,897
Institutional support services	9,401,365	11,914,512	-	-	21,315,877
Community services & economic development	126,514	194,983	-	-	321,497
Ancillary services & auxiliary operations	1,508,097	523,616	-	-	2,031,713
Student Aid	-	-	60,132,023	-	60,132,023
Depreciation expenses	-	-	-	8,974,312	8,974,312
Total	\$ 105,604,790	\$ 34,798,656	\$ 60,132,023	\$ 8,974,312	\$ 209,509,781

STATEMENT OF CASH FLOWS

CASH PROVIDED BY (USED IN)

	2023	2022	Change
Operating activities	\$ (183,158,213)	\$ (146,499,830)	\$ (36,658,383)
Non-capital financing activities	231,001,113	194,845,217	36,155,896
Capital financing activities	62,555,228	(11,022,745)	73,577,973
Net Increase in Cash and Cash Equivalents	\$ 110,398,128	\$ 37,322,642	\$ 73,075,486

CAPITAL ASSETS

As of June 30, 2023, the District had \$344.4 million in capital assets; less \$120.9 million accumulated depreciation for net capital assets of \$223.5 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 \$11.2 million on capital assets during the year, the majority of which relate to bond project expenses. Depreciation expenses totaled \$9.0 million during the year. Additional information related to capital assets is found in Note 6 of the financial statements.

	2023	2022	Change
Capital Assets not being depreciated	\$ 59,428,908	\$ 53,926,885	\$ 5,502,023
Capital Assets being depreciated	284,995,811	279,317,402	5,678,409
Accumulated depreciation	(120,889,428)	(111,915,116)	(8,974,312)
Total Capital Assets	\$ 223,535,291	\$ 221,329,171	\$ 2,206,120

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

DEBT ADMINISTRATION

At June 30, 2023, the District had \$264.2 million in outstanding general obligation and revenue bonds compared to \$196.4 million at June 30, 2022. The overall net increase of \$67.8 million is due to issuance of Series D Bond of \$62.0 million, offset by accretion of interest of \$9.2 million, offset by repayments of General Obligation Bonds of \$4.8 million and amortization of bond premium by \$1.5 million. The Other Postemployment Benefits (OPEB) obligation increased by \$14.7 million to \$13.3 million. Compensated absences increased by \$9 thousand whereas the District's share of Net Pension Liability for CalSTRS and CalPERS increased by \$30.6 million. Additional information related to long-term obligations is found in Note 10 of the financial statements.

	2023	2022	Change
General obligation and revenue bonds	\$ 264,227,705	\$ 196,420,689	\$ 67,807,016
Net pension liability	87,354,800	56,777,341	30,577,459
Net OPEB liability	13,339,825	(1,324,294)	14,664,119
Compensated absences	1,232,150	1,222,963	9,187
Total Long-term Liabilities	\$ 366,154,480	\$ 253,096,699	\$ 113,057,781
Amount due within one year	6,523,614	4,840,000	1,683,614
Total due after one year	\$ 359,630,866	\$ 248,256,699	\$ 111,374,167

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2023-2024 state budget reflects significant revenue shortfalls related to a downturn in the stock market and a budget deficit of \$31.5 billion. According to the State Chancellor's Office, the state plans to address the budget deficit with some funding delays, reductions to prior year funding, internal fund shifts, and internal borrowing. Despite the budget deficit, the 2023-2024 state budget proposal includes a Cost-of-Living Adjustment (COLA) of 8.22% for the Student-Centered Funding Formula and some categorical programs, and systemwide growth funding of 0.5%. The District is still under hold harmless in 2023-2024 it will continue to earn additional funding above the reported FTES.

At the time the 2023-2024 budget was developed, the following assumptions were made:

- Apportionment revenue for 2023-2024 was budgeted using the Student-Centered Funding Formula at the full calculated revenue, the 2023-2024 COLA of 8.22%, significant restoration funding, and an estimated deficit factor of 2.0% due to budgetary uncertainty.
- At the beginning of the pandemic, the District applied for the COVID-19 emergency condition protection for FTES funding. The fiscal year 2022-2023 marks the end of this protection. Although the District will be in a hold harmless funding status, it will likely result in a reduction of one-time revenue allocations.
- The District's expenditures include ongoing increases in employer-paid contributions for health and welfare. The District provides 100% fully paid family plans for all employees through CALPERS health plans. For calendar year 2023, health premiums increased by 15%; for calendar year 2024, health premiums are projected to increase by 13%. The rising costs of employer provided healthcare continues to be a concern.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GENERAL FUND BUDGETARY HIGHLIGHTS, continued

- The District's contribution to the California State Teachers' Retirement System (CalSTRS) will remain at 19.10%. The District's contribution to the California Public Employees' Retirement System (CalPERS) will increase in 2023-2024 from 25.37% to 26.68%.
- The District's unrestricted general fund balance is projected to be well above the Board-required and the Government Finance Officers Association (GFOA) recommended two months of operations, at 20%. After considering two, one-time Board committed projects of a total of \$23.3 million, the District will still maintain a healthy reserve of 36%.

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.

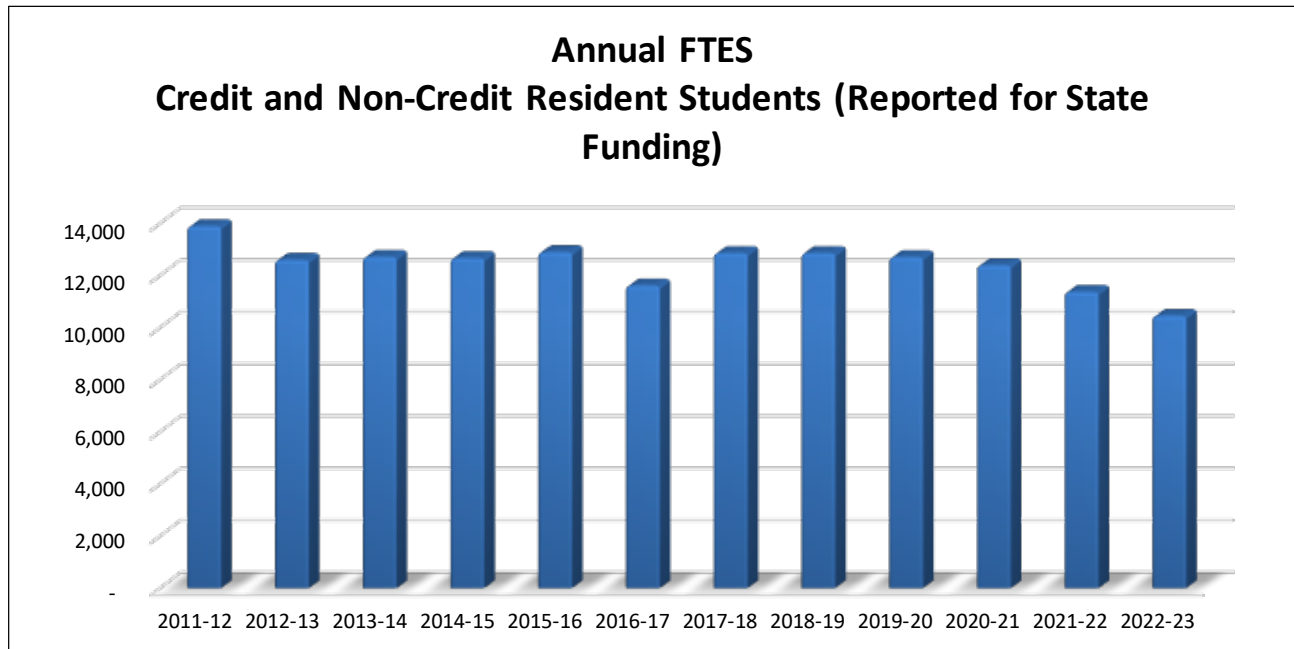
There are concerns for community colleges in that the condition of the State's budget depends on many volatile and unpredictable economic factors. This uncertainty coupled with the high inflation in the US economy, supply chain problems impacting flow of goods, growth of Full-Time Equivalent Students remaining tenuous, continuing cost increases related to pension obligations, and increase in health benefits, 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, 2023**

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 11 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, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$ 241,685,835
Restricted cash and cash equivalents	31,061,514
Accounts receivable, net	29,699,703
Inventory	34,431
Total Current Assets	<u>302,867,341</u>

Noncurrent Assets:

Capital assets, net	<u>223,535,291</u>
Total Noncurrent Assets	<u>223,535,291</u>

TOTAL ASSETS

526,402,632

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	319,983
Deferred outflows - OPEB	10,467,432
Deferred outflows - pensions	<u>27,156,373</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 564,346,420

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 30,717,716
Interest payable	9,945,332
Unearned revenue	24,173,384
Long-term debt, current portion	<u>6,523,614</u>
Total Current Liabilities	<u>71,360,046</u>

Noncurrent Liabilities:

Compensated absences	1,232,150
Net OPEB liability	13,339,825
Net pension liability	87,354,800
Long-term debt, non-current portion	<u>257,704,091</u>
Total Noncurrent Liabilities	<u>359,630,866</u>

TOTAL LIABILITIES

430,990,912

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pensions	10,003,808
Deferred inflows - OPEB	<u>3,252,467</u>

NET POSITION

Net investment in capital assets	19,195,878
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Restricted for:

Debt service	8,757,392
Capital projects	44,247,114
Other special purposes	25,893,410

Unrestricted	<u>22,005,439</u>
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TOTAL NET POSITION

120,099,233

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 564,346,420

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY
GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES

Tuition and fees	\$ 13,694,504
Less: Scholarship discounts and allowances	(7,138,363)
Net tuition and fees	6,556,141
Other operating revenues	1,460,161
TOTAL OPERATING REVENUES	8,016,302

OPERATING EXPENSES

Salaries	71,662,832
Employee benefits	33,941,958
Supplies, materials, and other operating expenses and services	34,798,656
Student aid	60,132,023
Depreciation	8,974,312
TOTAL OPERATING EXPENSES	209,509,781

OPERATING INCOME (LOSS)	(201,493,479)
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NON-OPERATING REVENUES (EXPENSES)

State apportionments, noncapital	99,158,526
Local property taxes	10,155,768
Federal grants	59,471,895
State grants	5,874,309
State taxes and other revenues	66,354,866
Investment income - noncapital	5,319,408
Interest expense on capital asset-related debt	(19,062,496)
Other non-operating revenues	9,851,757
TOTAL NON-OPERATING REVENUES (EXPENSES)	237,124,033

INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	35,630,554
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State apportionments, capital	9,153,464
Local property taxes and revenues, capital	8,808,011

CHANGE IN NET POSITION	53,592,029
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NET POSITION -- BEGINNING OF YEAR	66,507,204
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NET POSITION -- END OF YEAR	\$ 120,099,233
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RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 6,556,141
Payments to or on behalf of employees	(107,927,116)
Payments to vendors for supplies and services	(23,206,439)
Payments to students	(60,040,960)
Other operating receipts	1,460,161
Net Cash Used by Operating Activities	<u>(183,158,213)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	99,158,526
Property taxes	10,155,768
Grants and contracts	40,160,788
State taxes and other revenues	66,354,866
Investment income	5,319,408
Other nonoperating receipts	9,851,757
Net Cash Provided by Non-capital Financing Activities	<u>231,001,113</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

State apportionment for capital purpose	9,153,464
Acquisition and construction of capital assets	(11,180,432)
Local property tax, capital projects	8,808,011
Proceeds from issuance of capital debt	62,942,735
Principal paid on capital debt	(4,840,000)
Interest paid on capital debt	(2,328,550)
Net Cash Provided by Capital Financing Activities	<u>62,555,228</u>

NET INCREASE IN CASH & CASH EQUIVALENTS

110,398,128

CASH & CASH EQUIVALENTS, BEGINNING OF YEAR

162,349,221

CASH & CASH EQUIVALENTS, END OF YEAR

\$ 272,747,349

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2023

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

Operating loss	\$ (201,493,479)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	8,974,312
Changes in Assets and Liabilities:	
Inventory	2,817
Prepaid items	(385,858)
Deferred outflows - OPEB	(7,524,499)
Deferred outflows - pensions	(7,072,710)
Accounts payable and accrued liabilities	11,975,258
Net OPEB liability	14,664,119
Net pension liability	30,577,459
Deferred inflows - pensions	(32,975,882)
Compensated absences	9,187
Total Adjustments	18,335,266
Net Cash Flows From Operating Activities	\$ (183,158,213)

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Auxiliary Services Organization Fund	Retiree OPEB Trust	Trust Fund Investment	Total
ASSETS				
Cash and cash equivalents	\$ 1,620,435	\$ 167,362	\$ -	\$ 1,787,797
Investments	-	(167,362)	6,863,282	6,695,920
Accounts receivable	60,097	58,612,747	-	58,672,844
Total Assets	1,680,532	58,612,747	6,863,282	67,156,561
LIABILITIES				
Accounts payable	1,562,285	-	-	1,562,285
Total Liabilities	1,562,285	-	-	1,562,285
NET POSITION				
Held in Trust for Student Groups	118,247	-	-	118,247
Restricted for postemployment benefits other than pensions	-	58,612,747	6,863,282	65,476,029
Total Net Position	\$ 118,247	\$ 58,612,747	\$ 6,863,282	\$ 65,594,276

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

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Auxiliary Services Organization Fund	Retiree OPEB Trust	Trust Fund Investment	Total
OPERATING REVENUES:				
Local revenue	\$ 54,319	\$ 2,429,959	\$ 456,678	\$ 2,940,956
Total Operating Revenues	54,319	2,429,959	456,678	2,940,956
OPERATING EXPENSES:				
Services and operating expenditures	-	257,841	20,223	278,064
Total Operating Expenses	-	257,841	20,223	278,064
Net Change in Net Position	54,319	2,172,118	436,455	2,662,892
Net Position -- Beginning of Year	63,928	56,440,629	6,426,827	62,931,384
Net Position -- End of Year	\$ 118,247	\$ 58,612,747	\$ 6,863,282	\$ 65,594,276

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023

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, 2023, 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, 2023

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, 2023

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, 2023

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 \$78,897,916 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, 2023

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.

Statement No. 91 – In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

Statement No. 99 – In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

Statement No. 100 – In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

Statement No. 101 – In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements

Early implementation is encouraged. The District is in the process of determining the effect on the financial reporting.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS, continued

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, 2023, consist of the following:

Cash in county treasury	\$ 262,893,302
Cash on hand and in banks	9,159,831
Cash with fiscal agent	694,216
Total	<u>\$ 272,747,349</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 1,787,797
Investments	328,968
Total	<u>\$ 2,116,765</u>

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	\$ 262,893,302	\$ 250,188,195	753 Days
Mutual Funds	328,968	328,968	N/A
Total Investments	<u>\$ 263,222,270</u>	<u>\$ 250,517,163</u>	

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS, continued

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, 2023.

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, 2023, the District's fiduciary bank balance of \$8,909,831 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.

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.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - FAIR VALUE MEASUREMENTS, continued

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, 2023:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Los Angeles County Investment Pool	\$ 250,188,195	\$ -	\$ 250,188,195
Mutual Funds	328,968	328,968	-
Total Investments	<u>\$ 250,517,163</u>	<u>\$ 328,968</u>	<u>\$ 250,188,195</u>

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	\$ 21,036,046
State Government	6,319,926
Interest	2,313,594
Other local sources	30,137
Total	<u>\$ 29,699,703</u>
	Fiduciary Funds
Other local sources	<u>\$ 58,672,844</u>

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital Assets not being Depreciated				
Land	\$ 7,710,208	\$ -	\$ -	\$ 7,710,208
Construction in progress	46,216,677	5,502,023	-	51,718,700
Total Capital Assets not being Depreciated	53,926,885	5,502,023	-	59,428,908
Capital Assets being Depreciated				
Buildings and improvements	263,148,699	2,062,131	-	265,210,830
Equipment and furniture	14,426,670	3,616,278	-	18,042,948
Capitalized equipment	1,742,033	-	-	1,742,033
Total Capital Assets being Depreciated	279,317,402	5,678,409	-	284,995,811
Total Capital Assets	333,244,287	11,180,432	-	344,424,719
Less Accumulated Depreciation				
Buildings and improvements	98,851,006	8,052,485	-	106,903,491
Equipment and furniture	11,322,077	921,827	-	12,243,904
Capitalized equipment	1,742,033	-	-	1,742,033
Total Accumulated Depreciation	111,915,116	8,974,312	-	120,889,428
Net Capital Assets	\$221,329,171	\$2,206,120	\$ -	\$223,535,291

Depreciation expense for the year was \$8,974,312.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll and benefits	\$ 1,821,453
Federal	22,130,633
State	266,295
Other vendor payables	6,499,335
Total	\$ 30,717,716
	Fiduciary Funds
Other vendor payables	\$ 1,562,285

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal	\$ 2,481,290
State	14,959,250
Other local	6,732,844
Total	<u>\$ 24,173,384</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.

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 2023 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 2023 fiscal year consisted of the following:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
General Obligation Bonds					
2009 Series B, General obligation bonds	\$ 11,167,961	\$ 805,954	\$ -	\$ 11,973,915	\$ -
2010 Series C, General obligation bonds	127,991,147	9,057,420	-	137,048,567	-
2019 Series B, General obligation refunding bonds	48,265,000	-	4,840,000	43,425,000	5,465,000
2022 Series D, General obligation bonds	-	62,043,214	-	62,043,214	-
Unamortized premium	8,996,581	899,521	159,093	9,737,009	1,058,614
Total general obligation bonds	<u>196,420,689</u>	<u>72,806,109</u>	<u>4,999,093</u>	<u>264,227,705</u>	<u>6,523,614</u>
Other Long-Term Liabilities					
Compensated absences	1,222,963	9,187	-	1,232,150	-
Net OPEB liability	(1,324,294)	14,664,119	-	13,339,825	-
Net pension liability	56,777,341	30,577,459	-	87,354,800	-
Total Other Long-Term Liabilities	<u>56,676,010</u>	<u>45,250,765</u>	<u>-</u>	<u>101,926,775</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 253,096,699</u>	<u>\$ 118,056,874</u>	<u>\$ 4,999,093</u>	<u>\$ 366,154,480</u>	<u>\$ 6,523,614</u>

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - LONG-TERM OBLIGATIONS, continued

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 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, 2023

NOTE 10 - LONG-TERM OBLIGATIONS, continued

On December 28, 2022, the District issued \$62,043,214 of Series D Bonds to finance construction of L-Tower phase II and music Wray Theater projects. Current interest bonds bear interest at rates ranging from 4.90 percent to 5.0 percent, and the bonds mature on August 1, 2047. The total proceeds from the bond issuance amounted to \$61,478,411.

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Yield	Maturity Date	Original Issue	Bonds			Bonds	
					Outstanding July 1 2022	Additions	Redeemed	Outstanding June 30, 2023	Due Within One Year
2009 Series B	3/11/2009	3.00-6.69%	8/1/2033	\$64,996,844	\$ 11,167,961	\$ 805,954	\$ -	\$ 11,973,915	\$ -
2010 Series C	12/21/2010	6.62-6.99%	8/1/2042	60,040,980	127,991,147	9,057,420	-	137,048,567	-
2019 Series B Refunding	5/22/2019	1.32-1.76%	8/1/2031	60,710,000	48,265,000	-	4,840,000	43,425,000	5,465,000
2020 Series D	12/28/2022	4.90 - 5.00%	8/1/2047	62,043,214	-	62,043,214	-	62,043,214	-
					<u>\$ 187,424,108</u>	<u>\$ 71,906,588</u>	<u>\$ 4,840,000</u>	<u>\$ 254,490,696</u>	<u>\$ 5,465,000</u>

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

Fiscal Year	Principal	Interest	Accreted Interest	Total
2024	\$ -	\$ -	\$ -	\$ -
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029-2033	3,276,989	-	11,303,009	14,579,998
2034	1,529,854	-	6,085,147	7,615,001
Accretion	7,167,072	-	(7,115,998)	-
Total	<u>\$ 11,973,915</u>	<u>\$ -</u>	<u>\$ 10,272,158</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
2024	\$ -	\$ -	\$ -	\$ -
2025	-	3,476,420	-	3,476,420
2026	-	6,952,840	-	6,952,840
2027	84,312	6,952,840	-	7,037,152
2028	166,666	6,952,840	435,687	7,555,193
2029-2033	3,237,446	34,764,200	9,723,910	47,725,556
2034-2038	12,626,603	34,764,200	45,310,801	92,701,604
2039-2043	43,925,952	27,446,537	74,576,869	145,949,358
Accretion	77,007,588	-	(77,007,587)	-
Total	<u>\$ 137,048,567</u>	<u>\$ 121,309,877</u>	<u>\$ 53,039,680</u>	<u>\$ 311,398,123</u>

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - LONG-TERM OBLIGATIONS, continued

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

Fiscal Year	Principal	Interest	Total
2024	\$ 5,465,000	\$ 2,171,250	\$ 7,636,250
2025	6,125,000	1,898,000	8,023,000
2026	4,215,000	1,591,750	5,806,750
2027	4,635,000	1,381,000	6,016,000
2028	5,005,000	1,149,250	6,154,250
2029-2031	17,980,000	1,846,750	19,826,750
Total	<u>\$ 43,425,000</u>	<u>\$ 10,038,000</u>	<u>\$ 53,463,000</u>

The 2022 Series D General Obligation Bonds mature through 2047 as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
2024	\$ -	\$ 234,300	\$ -	\$ 234,300
2025	3,300,000	396,000	-	3,696,000
2026	115,000	231,000	-	346,000
2027	210,000	225,250	-	435,250
2028	465,000	214,750	-	679,750
2029-2033	1,955,000	740,250	-	2,695,250
2034-2038	1,515,000	322,250	-	1,837,250
2039-2043	1,266,399	24,750	1,433,601	2,724,750
2044-2047	53,134,857	-	105,415,143	158,550,000
Accretion	81,958	-	(81,958)	-
Total	<u>\$ 62,043,214</u>	<u>\$ 2,388,550</u>	<u>\$ 106,766,786</u>	<u>\$ 171,198,550</u>

Compensated Absences

At June 30, 2023, the liability for compensated absences was \$1,232,150.

Aggregate Net Pension Obligation

At June 30, 2023, the liability for the aggregate net pension obligation amounted to \$87,354,800. See Note 13 for additional information.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 2021-22, the District contributed \$0 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, 2023

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2022:

	Number of Participants
Inactive Employees Receiving Benefits	326
Active Employees	571
	897

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 \$13,339,825 as of June 30, 2023.

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023:

Asset Class	Percentage of Portfolio	Assumed Gross Return
Fixed Income	67.00%	4.25%
Domestic Equities	15.50%	7.25%
International Equities	14.50%	7.25%
Real Estate Investment Trusts	3.00%	7.25%
Total	100%	

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.50%
Investment rate of return	5.20%
Salary Increase	2.75%
Healthcare 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, 2023

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB benefit of \$1,571,060. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 8,069,440	\$ -
Differences between expected and actual experience	-	3,252,467
Change in assumptions	2,397,992	-
	<u>\$ 10,467,432</u>	<u>\$ 3,252,467</u>

The deferred outflow of resources 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 inflows of resources resulting from a change in assumption will be amortized to OPEB expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2024	\$ 1,126,852
2025	1,216,108
2026	1,343,075
2027	2,945,756
2028	323,983
Thereafter	259,191
	<u>\$ 7,214,965</u>

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2021	\$ 66,251,675	\$ 67,575,969	\$ (1,324,294)
Changes for the year:			
Service cost	2,366,329	-	2,366,329
Interest	3,447,208	-	3,447,208
Employee contributions	-	(290,336)	290,336
Employee contributions as benefit	-	2,284,756	(2,284,756)
Changes of benefit terms	-	-	-
Changes in assumptions	-	3,506,402	(3,506,402)
Investment gains/losses	-	(14,351,404)	14,351,404
Expected benefit payments	(2,284,756)	(2,284,756)	-
Net change	3,528,781	(11,135,338)	14,664,119
Balance June 30, 2022	\$ 69,780,456	\$ 56,440,631	\$ 13,339,825

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)	\$ 23,835,337	\$ 13,339,825	\$ 4,799,075

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):

	Trend Rate 1% Lower (3.00%)	Healthcare Cost Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability (Asset)	\$ 2,858,879	\$ 13,339,825	\$ 26,684,988

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

SWACC 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, 2023, the District reported its proportionate share of the net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows 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	\$ 41,915,895	\$ 12,480,179	\$ 8,833,218	\$ 3,793,428
CalPERS	45,438,905	14,676,194	1,170,590	5,993,087
Total	<u>\$ 87,354,800</u>	<u>\$ 27,156,373</u>	<u>\$ 10,003,808</u>	<u>\$ 9,786,515</u>

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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, 2023, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

*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, 2023

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 16.92 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above, and the District's total contributions were \$8,343,177.

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

At June 30, 2023, 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	\$	41,915,895
State's proportionate share of the net pension liability associated with the District		20,991,603
Total	\$	<u>62,907,498</u>

The net pension liability was measured as of June 30, 2021. 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, 2023 and June 30, 2022, was 0.06030 percent and 0.06611 percent, respectively, resulting in a net decrease in the proportionate share of 0.00581 percent.

For the year ended June 30, 2023, the District recognized pension expense of \$3,793,428. In addition, the District recognized pension expense and revenue of \$4,452,364 for support provided by the State. At June 30, 2023, 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	\$ -	\$ 2,051,095
Differences between expected and actual experience	34,384	3,142,299
Changes in assumptions	2,077,174	-
Net changes in proportionate share of net pension liability	2,025,444	3,639,824
District contributions subsequent to the measurement date	8,343,177	-
Total	<u>\$ 12,480,179</u>	<u>\$ 8,833,218</u>

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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
2024	\$ (110,465)
2025	(2,257,528)
2026	(3,948,362)
2027	2,198,806
2028	(434,496)
Thereafter	(144,171)
	<u>\$ (4,696,216)</u>

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015, through June 30, 2018
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, 2023

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*
Public Equity	42%	4.8%
Real Estate	15%	3.6%
Private Equity	13%	6.3%
Fixed Income	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	-0.4%
	<u>100%</u>	

*20-year 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	\$ 71,188,737	\$ 41,915,895	\$ 17,610,636

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2019, 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, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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	7.00%	7.00%
Required employer contribution rate	25.37%	25.37%

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, are presented above, and the total District contributions were \$5,345,880.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$45,438,905. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.13210 percent and 0.131276 percent, respectively, resulting in a net increase of 0.00082.

For the year ended June 30, 2023, the District recognized pension expense of \$5,993,087. At June 30, 2023, 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	\$ 5,365,099	\$ -
Differences between expected and actual experience	205,357	1,130,578
Changes in assumptions	3,361,312	-
Net changes in proportionate share of net pension liability	398,547	40,013
District contributions subsequent to the measurement date	5,345,880	-
Total	<u>\$ 14,676,194</u>	<u>\$ 1,170,590</u>

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, 2023

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
2024	\$ 2,029,495
2025	1,735,858
2026	1,116,839
2027	3,277,532
	<u>\$ 8,159,724</u>

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	6.90%
Investment rate of return	6.90%
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, 2023

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**
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	<u>100%</u>	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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 (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 65,638,799	\$ 45,438,905	\$ 28,744,434

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, which amounted to \$3,367,443. 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, 2023.

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, 2023.

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
2024	\$ 82,638
2025	62,733
2026	46,648
Total	<u>\$ 192,019</u>

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - COMMITMENTS AND CONTINGENCIES, continued

Construction Commitments

As of June 30, 2023, 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	\$ 34,506,270	\$ 212,766	9/30/2022
L-Tower Phase II	1,039,806	8,142,183	3/31/2024
Music Wray Theater & Campus Inn	2,468,712	42,258,722	3/31/2025
	<u>\$ 38,014,788</u>	<u>\$ 50,613,671</u>	

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

NOTE 16 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2023 through December 31, 2023 the date the financial statements were issued. Management identified that the L-Tower contractor filed litigation on July 31, 2023.

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, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 2,366,329	\$ 2,175,213	\$ 2,116,996	\$ 2,117,173	\$ 2,060,509	\$ 2,005,362
Interest	3,447,208	3,155,331	3,009,812	3,171,261	3,026,763	2,886,839
Benefit payments	(2,284,756)	(2,395,563)	(2,319,394)	(2,372,841)	(2,300,743)	(2,212,253)
Net change in total OPEB liability	3,528,781	5,462,053	2,807,414	(3,131,420)	2,786,529	2,679,948
Total OPEB liability, beginning of year	66,251,675	60,789,622	57,982,208	61,113,628	58,327,099	55,647,152
Total OPEB liability, end of year (a)	\$ 69,780,456	\$ 66,251,675	\$ 60,789,622	\$ 57,982,208	\$ 61,113,628	\$ 58,327,100
Plan fiduciary net position						
Employer contributions	2,284,756	2,395,563	6,259,988	17,372,841	15,800,743	12,212,253
Expected investment income	3,506,402	3,094,492	2,826,123	2,208,118	1,436,541	969,430
Investment gains/losses	(14,351,404)	5,114,171	634,815	446,284	(657,474)	-
Administrative expense	(290,336)	(284,323)	(256,234)	(223,747)	(158,368)	(96,324)
Expected benefit payments	(2,284,756)	(2,395,563)	(2,319,394)	(2,372,841)	(2,300,743)	(2,212,253)
Change in plan fiduciary net position	(11,135,338)	7,924,340	7,145,298	17,430,655	14,120,699	10,873,106
Fiduciary trust net position, beginning of year	67,575,969	59,651,629	52,506,331	35,075,677	20,954,978	10,081,872
Fiduciary trust net position, end of year (b)	\$ 56,440,631	\$ 67,575,969	\$ 59,651,629	\$ 52,506,332	\$ 35,075,677	\$ 20,954,978
Net OPEB liability (asset), ending (a) - (b)	\$ 13,339,825	\$ (1,324,294)	\$ 1,137,993	\$ 5,475,876	\$ 26,037,951	\$ 37,372,122
Covered payroll	\$ 68,780,183	\$ 63,435,505	\$ 59,007,453	\$ 61,297,171	\$ 54,781,403	\$ 54,781,403
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	81%	102%	98%	91%	57%	36%
Net OPEB asset as a percentage of covered payroll	19.39%	-10%	8.21%	48.39%	48%	68%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,284,756	\$ 2,284,756	\$ 2,395,563	\$ 2,319,394	\$ 2,372,841	\$ 2,300,743
Contributions in relations to the actuarially determined contribution	-	2,447,172	-	3,940,594	15,800,743	12,212,253
Contribution deficiency (excess)	\$ 2,284,756	\$ 2,284,756	\$ 2,395,563	\$ 2,319,394	\$ (13,427,902)	\$ (9,911,510)
Covered-employee payroll	\$ 20,858,659	\$ 13,866,135	\$ 13,866,135	\$ 11,315,722	\$ 54,781,403	\$ 54,781,403
Contribution as a percentage of covered-employee payroll	10.95%	16.48%	17.28%	20.50%	29%	22%

**The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.*

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, 2023

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalSTRS					
District's proportion of the net pension liability	0.0603%	0.066%	0.060%	0.060%	0.059%
District's proportionate share of the net pension liability	\$ 41,915,895	\$ 30,083,201	\$ 58,520,456	\$ 54,235,543	\$ 53,851,035
State's proportionate share of the net pension liability associated with the District	20,991,603	15,137,015	30,167,058	29,589,348	30,833,719
Total	\$ 62,907,498	\$ 45,220,216	\$ 88,687,514	\$ 83,824,891	\$ 84,684,754
District's covered - employee payroll	\$ 39,892,134	\$ 31,112,637	\$ 31,525,728	\$ 33,056,001	\$ 33,056,001
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	105%	97%	186%	164%	163%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalPERS					
District's proportion of the net pension liability	0.1321%	0.131%	0.132%	0.128%	0.126%
District's proportionate share of the net pension liability	\$ 45,438,905	\$ 26,694,140	\$ 40,458,741	\$ 37,434,722	\$ 33,699,089
District's covered - employee payroll	\$ 19,434,151	\$ 19,046,443	\$ 19,152,957	\$ 15,730,545	\$ 15,730,545
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	234%	140%	211%	238%	214%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

See accompanying note to required supplementary information.

RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalSTRS				
District's proportion of the net pension liability	0.058%	0.060%	0.065%	0.065%
District's proportionate share of the net pension liability	\$ 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	31,822,385	27,809,155	23,128,021	22,812,498
Total	\$ 85,613,088	\$ 76,658,666	\$ 66,888,621	\$ 60,796,548
District's covered - employee payroll	\$ 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	155%	196%	142%	132%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
<i>Note: In the future, as data becomes available, ten years of information will be presented.</i>				

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalPERS				
District's proportion of the net pension liability	0.126%	0.125%	0.128%	0.129%
District's proportionate share of the net pension liability	\$ 29,995,084	\$ 24,654,995	\$ 18,947,983	\$ 14,621,936
District's covered - employee payroll	\$ 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	153%	176%	131%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

See accompanying note to required supplementary information.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CalSTRS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 8,343,177	\$ 6,749,749	\$ 5,091,405	\$ 5,640,721	\$ 5,381,517
District's contributions in relation to the statutorily required contribution	8,343,177	6,749,749	5,091,405	5,640,721	5,381,517
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 49,309,557	\$ 39,892,134	\$ 31,525,728	\$ 31,112,637	\$ 33,056,001
District's contributions as a percentage of covered-employee payroll	16.92%	16.92%	16.15%	18.13%	16.28%
CalPERS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 5,345,880	\$ 4,452,364	\$ 3,964,662	\$ 3,756,149	\$ 2,841,251
District's contributions in relation to the statutorily required contribution	5,345,880	4,452,364	3,964,662	3,756,149	2,841,251
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 23,334,265	\$ 19,434,151	\$ 19,152,957	\$ 19,046,443	\$ 15,730,545
District's contributions as a percentage of covered-employee payroll	22.91%	22.91%	20.70%	19.72%	18.06%

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, 2023**

CalSTRS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 5,003,031	\$ 4,191,757	\$ 2,677,144	\$ 2,728,727
District's contributions in relation to the statutorily required contribution	5,003,031	4,191,757	2,677,144	2,728,727
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 34,671,040	\$ 33,320,803	\$ 24,950,084	\$ 30,728,908
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 2,725,352	\$ 2,270,696	\$ 1,664,052	\$ 1,706,770
District's contributions in relation to the statutorily required contribution	2,725,352	2,270,696	1,664,052	1,706,770
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 17,548,950	\$ 16,350,058	\$ 14,046,189	\$ 14,501,020
District's contributions as a percentage of covered-employee payroll	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, 2023

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 valuation for CalSTRS. The discount rate for CalPERS decreased from 7.15% as of June 30, 2021 measurement date to 6.90% as of the June 30, 2022 measurement date.

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, 2023**

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, 2023, the Board of Trustees and District Executive Officers are composed of the following members:

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Kristal Orozco	President	December 2024
Anais Medina Diaz	Vice President	December 2026
Oscar Valladares	Clerk	December 2026
Rosaelva Lomeli	Member	December 2026
Vicky Santa	Member	December 2024
Alexandra Zuniga	Student Trustee	June 30, 2024

DISTRICT ADMINISTRATION

Dr. Marilyn Flores
Superintendent/President

Dr. Stephen Kibui
Vice President, Finance and Business

Dr. Don Miller
Vice President, Academic Affairs

Dr. Earic Dixon-Peters
Vice President, Student Services

Tina Kupperman
Vice President, Human Resources

AUXILIARY ORGANIZATIONS IN GOOD STANDING

AUXILIARY NAME	DIRECTOR'S NAME	ESTABLISHMENT AND MASTER AGREEMENT DATE
Rio Hondo College Foundation	Shaina Philips, Interim Executive Director	Organized as an auxiliary organization in 1992 and has a signed master agreement dated September 1, 2020.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER*	TOTAL FEDERAL EXPENDITURES
U.S. Department of Education			
Direct			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	*	\$ 16,821,323
Federal Supplemental Education Opportunity Grants	84.007	*	541,350
Federal Work Study Program	84.033	*	234,093
Federal Direct Student Loans	84.268	*	610,855
Total Student Financial Aid Cluster			18,207,621
TRIO Cluster			
Upward Bound	84.047	*	127,545
Student Support Services	84.042	*	320,737
SSS STEM Program	84.042A	*	264,093
Total TRIO Cluster			712,375
Child Care Access Means Parents in School Program	84.335A	*	413,897
STEM Pathways Center (Enlace)	84.031S	*	713,374
The Cumbres Project	84.031S	*	66,026
Talent Search	84.044A	N/A	266,827
Hope Scholars	84.0116N	*	141,940
Passed Through Center for Collaborative Education			
Supporting Effective Development (SEED)	84.423A	N/A	356,085
Passed Through California Community Colleges Chancellor's Office			
Title I, Part C	84.048A	*	767,992
CARES Act: High Education Emergency Relief Fund			
COVID-19 HEERF III Institutional Portion	84.425F	*	19,924,711
COVID-19 HEERF III Student Portion	84.425E	*	9,340,301
COVID-19 HEERF III Minority Serving Institutions	84.425L	*	66,692
Subtotal Higher Education Emergency Relief Funds (HEERF)			29,331,704
Total U.S. Department of Education			50,977,841
U.S. Department of Treasury			
Passed Through California Community Colleges Chancellor's Office			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,595,668
Total U.S. Department of Treasury			1,595,668
U.S. Department of Health and Human Services			
Passed Through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	*	80,555
Foster and Kinship Care Education	93.658	*	54,220
Total U.S. Department of Health and Human Services			134,775
U.S. Department of Agriculture			
Pass through from California Department of Education (CDE)			
Child and Adult Care Food Program	10.558	CSPP-7247	33,457
Pass through from California State University Chico State Enterprise			
CalFresh Outreach Program	10.561	A22-055-S034	124,029
Total U.S. Department of Agriculture			157,486
Research and Development Cluster			
National Science Foundation			
Auto Transit	47.076	*	48,560
Transition and Research Across Interface (TRAINS)	47.076	*	123,610
Scholarships to Aid Rio Hondo STEM Students (STARSS)	47.076	N/A	172,750
Total Research and Development Cluster			344,920
Total Federal Programs			\$ 53,210,690

* 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, 2023

Program Name	Program Revenues				Total
	Cash Received	Accounts Receivable	Deferred Revenue	Total	Program Expenditures
State Categorical Aid Programs					
Access to Print and Electronic Info	\$ 11,060	\$ -	\$ -	\$ 11,060	\$ 11,060
Adult Ed Block Grant	645,234	-	-	645,234	645,234
Apprentice Allowance	3,140,250	-	-	3,140,250	3,140,250
Basic Needs Centers	405,955	-	383,264	22,691	22,691
Board Financial Assistance Program (BFAP-SFAA)	641,912	-	-	641,912	641,912
California College Promise	509,343	-	-	509,343	509,343
CALOES Campus Grant	268,943	-	54,090	214,853	214,853
CalWORKS	525,029	-	297,979	227,050	227,050
Childcare Tax Bailout	14,997	-	-	14,997	14,997
Child Development: California State Preschool Proq	507,947	-	-	507,947	507,947
Child Care Food Program- CSPP	28,254	-	-	28,254	28,254
Child Care Food Program-CCTR	374,772	-	-	374,772	374,772
College Promise (Bogg Fee Waiver)	139,042	-	-	139,042	139,042
Cooperative Agencies Resources for Education (C/	544,917	-	19,444	525,473	525,473
COVID-19 Recovery Block Grant	7,040,512	-	4,078,678	2,961,834	2,961,834
Culturally Competent Professional Development	50,436	-	-	50,436	50,436
Deaf and Hard of hearing	53,880	-	-	53,880	53,880
Disabled Student Programs and Services (DSPS)	1,496,675	-	565,735	930,940	930,940
Dream Resource Liaison Support	117,881	-	-	117,881	117,881
Early Action Emergency Financial Aid (SB 85)	644,970	-	-	644,970	644,970
Emergency Financial Assistance (SFRF)	1,901,397	-	-	1,901,397	1,901,397
Emergency Financial Assistance Supplemental	324,229	-	-	324,229	324,229
Extended Opportunity Programs and Services (EO	3,212,400	-	1,270,263	1,942,137	1,942,137
Equal Employment Opportunity	138,888	-	-	138,888	138,888
Equal Employment Opportunity Innovative Best Pra	149,949	-	-	149,949	149,949
Financial Aid Technology	60,816	-	-	60,816	60,816
Foster Care Education	106,269	-	-	106,269	106,269
Full-Time Faculty Hiring	1,853,791	-	-	1,853,791	1,853,791
Guided Pathways	534,500	-	292,191	242,309	242,309
Local and Systemwide Technology and Data Secur	300,000	-	-	300,000	300,000
Mental Health Services	315,413	-	-	315,413	315,413
NextUp	964,309	-	839,494	124,815	124,815
Nursing Education	202,963	-	-	202,963	202,963
Part-time Faculty Compensation	309,964	-	-	309,964	309,964
Physical Plant & Inst'l Support	4,046,575	-	965,000	3,081,575	3,081,575
Retention and Enrollment Outreach	1,874,577	-	507,149	1,367,428	1,367,428
Rising Scholars Network	154,000	-	115,987	38,013	38,013
Strong Workforce Program- Local	1,364,285	-	456,156	908,129	908,129
Strong Workforce Program- Regional	2,289,138	-	2,143,599	145,539	145,539
Strong Workforce Program- K-12 TAP	132,678	-	55,263	77,415	77,415
Student Equity and Achivement	9,040,939	-	3,063,577	5,977,362	5,977,362
Student Food and Housing Support	290,449	-	-	290,449	290,449
Student Housing (Planning)	522,000	-	106,000	416,000	416,000
Student Success Completion	4,011,173	-	311,301	3,699,872	3,699,872
Systemwide Technology and Data Security	50,000	-	-	50,000	50,000
Undocumented Resources Liaisons	117,881	-	-	117,881	117,881
Veteran Resource Center	72,440	-	-	72,440	72,440
Zero Textbook Cost Program	20,000	-	-	20,000	20,000
Zero Textbook Cost Program (One-Time Funds)	180,000	-	-	180,000	180,000
Subtotal	\$ 51,703,032	\$ -	\$ 15,525,170	\$36,177,862	\$ 36,177,862

See accompanying note to supplementary information.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit	142.74	-	142.74
2. Credit	346.67	-	346.67
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit	327.33	-	0.96
2. Credit	1,084.95	-	1,084.95
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,786.97	-	3,786.97
(b) Daily Census Contact Hours	423.87	-	423.87
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	130.47	-	130.47
(b) Credit	919.44	-	919.44
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,905.14	-	1,905.14
(b) Daily Census Contact Hours	979.32	-	979.32
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,046.90	-	10,046.90
Supplemental Information (subset of above information)			
E. In-service Training Courses	243.43	-	243.43
F. Basic Skills Courses and Immigrant Education			
1. Credit	12.33	-	12.33
2. Noncredit	449.57	-	449.57
Total Basic Skills FTES	461.90	-	461.90

RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSE) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 16,335,955	\$ -	\$ 16,335,955	\$ 16,338,709	\$ -	\$ 16,338,709
Other	1300	16,451,256	-	16,451,256	17,002,145	-	17,002,145
Total Instructional Salaries		32,787,211	-	32,787,211	33,340,854	-	33,340,854
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	8,474,675	-	8,474,675
Other	1400	-	-	-	637,660	-	637,660
Total Non-Instructional Salaries		-	-	-	9,112,335	-	9,112,335
Total Academic Salaries		32,787,211	-	32,787,211	42,453,189	-	42,453,189
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	13,736,589	-	13,736,589
Other	2300	-	-	-	586,367	-	586,367
Total Non-Instructional Salaries		-	-	-	14,322,956	-	14,322,956
Instructional Aides							
Regular Status	2200	2,042,032	-	2,042,032	2,048,300	-	2,048,300
Other	2400	806,123	-	806,123	806,123	-	806,123
Total Instructional Aides		2,848,155	-	2,848,155	2,854,423	-	2,854,423
Total Classified Salaries		2,848,155	-	2,848,155	17,177,379	-	17,177,379
Employee Benefits	3000	18,477,786	-	18,477,786	31,068,069	-	31,068,069
Supplies and Materials	4000	-	-	-	1,162,428	-	1,162,428
Other Operating Expenses	5000	2,877,788	-	2,877,788	10,321,498	-	10,321,498
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		56,990,940	-	56,990,940	102,182,563	-	102,182,563
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	6,901,324	-	6,901,324	6,901,324	-	6,901,324
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	2,530,751	-	2,530,751
Object to Exclude							
Rents and Leases	5060	-	-	-	81,011	-	81,011
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	-	-	-	3,080,617	-	3,080,617
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	58,954	-	58,954
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	22,061	-	22,061
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	22,061	-	22,061
Total Capital Outlay		-	-	-	81,015	-	81,015
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 6,901,324	\$ -	\$ 6,901,324	\$ 12,674,718	\$ -	\$ 12,674,718
Total for ECS 84362, 50% Law		\$ 50,089,616	\$ -	\$ 50,089,616	\$ 89,507,845	\$ -	\$ 89,507,845
Percent of CEE (Instructional Salary Cost/Total CEE)		55.96%	0.00%	55.96%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 44,753,923	\$ -	\$ 44,753,923

**RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2023.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2023**

EPA Revenue	\$ 15,201,159
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 15,201,159	-	-	\$ 15,201,159
Total		\$ 15,201,159	-	-	\$ 15,201,159

RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Equity - District Funds Included in the Reporting Entity:

General Fund	\$ 96,136,949	
Debt Service Fund	8,757,392	
Child Development Fund	532,736	
Capital Project Funds	103,815,423	
Self-Insurance Funds	31,679,515	
Associated Student Body	284,623	
Student Financial Aid Fund	6,765,681	
Trust Fund	<u>3,922</u>	\$ 247,976,241

Assets recorded within the statements of net position not included in the District fund financial statements:

Nondepreciable capital assets	\$ 59,428,908	
Depreciable capital assets	284,995,811	
Accumulated depreciation	<u>(120,889,428)</u>	223,535,291

Deferred outflows recorded within the statement of net position not included in the District fund financial statements:

Deferred loss on refunding	319,983
Deferred outflows - OPEB	10,467,432
Deferred outflows - pensions	27,156,373

Liabilities recorded within the statements of net position not recorded in the District fund financial statements:

Compensated absences	(1,232,150)
Net OPEB liability	(13,339,825)
Net pension liability	(87,354,800)
Long-term debt	(264,227,705)
Unmatured Interest	(9,945,332)

Deferred inflows recorded within the statement of net position not included in the District fund financial statements:

Deferred inflows - pensions	(10,003,808)
Deferred Inflows - OPEB	<u>(3,252,467)</u>

**Net Position Reported Within the
Statements of Net Position**

\$ 120,099,233

RIO HONDO COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

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, 2023**

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2023.

Report on 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.

Report on 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.



San Diego, California
December 31, 2023



**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

Opinion on Each Major Federal Program

We have audited Rio Hondo Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rio Hondo Community College District's major federal programs for the year ended June 30, 2023. Rio Hondo Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Rio Hondo Community College 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rio Hondo Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rio Hondo Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Rio Hondo Community College District's federal programs

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rio Hondo Community College District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Rio Hondo Community College District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rio Hondo Community College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rio Hondo Community College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rio Hondo Community College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 31, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Rio Hondo Community College District
Whittier, California

Report on State Compliance

Opinion on State Compliance

We have audited College of the 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 2022-23*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2023. The applicable state compliance requirements are identified in the table below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2023.

Basis for Opinion

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 compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2022-23*, issued by the California Community Colleges Chancellor's Office. Our responsibilities under those standards and the compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rio Hondo Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for program. Our audit does not provide a legal determination of Rio Hondo Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

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 412 – SCFF Supplemental Allocation Metrics
Section 413 – SCFF Success Allocation Metrics
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 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 490 – Propositions 1D and 51 State Bond Funded Projects
Section 491 – Education Protection Account Funds
Section 494 – State Fiscal Recovery Funds
Section 499 – COVID-19 Response Block Grant Expenditures

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) 2022-23*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 31, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Is a going concern emphasis-of-matter paragraph included in the auditor's report?	No
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
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	No
Identification of major programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,596,320
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

**RIO HONDO COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2023**

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 2022-23.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 identifies during 2022-23.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 2022-23.

**RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Section V – Prior Year Audit Findings Summary

FINDING #2022-001 – OUTSTANDING STUDENT REFUND CHECKS

Criteria or Specific Requirement: In accordance with 34 CFR 668.164(l), an institution must return to ED (notwithstanding any state law, such as a law that allows funds to escheat to the state) any Title IV funds, except FWS program funds, that it attempts to disburse directly to a student or parent but they do not receive or negotiate those funds. For FWS program funds, the institution is required to return only the federal portion of the payroll disbursements. If the institution attempted to disburse the funds by check and the check is not cashed, the funds must be returned no later than 240 days after the date it issued the check. If a check is returned, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that the attempts are made no later than 45 days after the funds were returned or rejected. If the institution does not make an additional attempt to disburse the funds, the funds must be returned before the end of the 45-day period and no later than 240 days from the date of the initial attempt to disburse the funds.

Condition / Context: Fourteen (14) of the 25 outstanding refund checks tested were not timely returned to the U.S. Department of Education.

Questioned Costs: \$18,059.

Cause: The Districts' internal controls did not identify the failure to timely remit payment in order to ensure compliance with the criteria mentioned above.

Effect: The District is not in compliance with the applicable Title IV regulations stating that all student refund checks be returned to the U.S. Department of Education within 240 days of the original disbursement. Any additional attempts to disburse funds must be made no later than 45 days after the funds were returned or rejected.

Recommendation: We recommend that the District review its procedures related to outstanding student refund checks to ensure they are being returned to the Department of Education or disbursed to students as stated in the criteria mentioned above.

Current Status: Implemented in fiscal year 2022-23