RIO HONDO
COMMUNITY COLLEGE DISTRICT

WHITTIER, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2018

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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RIO HONDO COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Rio Hondo Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 11 and the Other Required Supplementary Information as listed in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 5, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. 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, 2018. 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.

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.

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 decreased by approximately $6.3 million primarily due to decrease in cash balance with the fiscal agent as a result of transfer of $10 million to the OPEB Trust. Accounts receivable increased from prior year by approximately $4 million.

- Noncurrent assets decreased by $6.6 million primarily due to a decrease of OPEB assets of $6.4 million due to implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

- Deferred outflows of resources increased by $22.2 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 and inflows of resources related to OPEB in the District-wide financial statements of $13.5 million. Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The deferred outflows related to pension obligations increased by $9 Million from prior year.

- Current liabilities increased by $6.3 million as a result of increase in unearned revenue by approximately $3.2 million primarily due deferral of special categorical programs such as Student Success and Support Program, Student Equity, Strong Workforce, Guided Pathway, Prop 39, and fees collected for summer 2018. Accrued expenses increased by $2.8 million for unpaid salaries and wages and local vendors at year end.

STATEMENT OF NET POSITION, continued

- Non-current liabilities increased by $48 million primarily due to increase in OPEB liability by $37 million as a result of implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The net pension liability, which reflect the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) increased by $10.2 million during the year primarily because of lower than projected investment earnings.

- Deferred inflows of resources increased by approximately $2 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 outflows and inflows of resources related to pensions in the District-wide financial statements.

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2018	2017	Change
Current assets	$ 139,404,652	$ 145,696,754	$ (6,292,102)
Non-current assets	208,194,016	214,798,601	(6,604,585)
Deferred outflows of resources	38,627,306	16,351,981	22,275,325
Total Assets and Deferred Outflows of Resources	386,225,974	376,847,336	9,378,638
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	40,736,446	34,412,612	6,323,834
Non-current liabilities	308,474,342	260,316,975	48,157,367
Deferred inflows of resources	7,272,619	5,268,618	2,004,001
Total Liabilities and Deferred Inflows of Resources	356,483,407	299,998,205	56,485,202
NET POSITION			
Invested in capital assets, net of related debt	37,874,686	78,519,760	(40,645,074)
Restricted	39,329,238	36,135,301	3,193,937
Unrestricted	(47,461,357)	(37,805,930)	(9,655,427)
Total Net Position	$ 29,742,567	$ 76,849,131	$ (47,106,564)

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 increase of $0.5 million due to more students paying their fees upfront compared with previous year. In addition, the District was able to collect past due tuition and fees through the Chancellor's Office Tax Offset Program (COTOP).

- Other operating revenues decreased from prior year due to less revenues received this year. These revenues consist of rental and leases incomes, retirees' contributions to health premiums, and other miscellaneous incomes.

- The overall increase in salaries and benefits due to increased costs of step and column, negotiated salary increases, rise in medical premiums, and an increase in class section offerings and higher pension contribution rates for STRS and PERS amounting to $8.7 million. Due to implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, a total of $11 million OPEB expense was allocated to salaries and benefits during the year.

- Net change in supplies and maintenance costs is due reclassification of expenditures within the financial statements. The cost of supplies and maintenance has continued to increase primarily due to additional spending in non- capitalized expenses, increased contracted services, instructional supplies for use in the classroom, supply, inventory purchases and maintenance by the Facilities Department, and non-instructional supplies for use in offices and support departments.

- Student financial aid expenditures in the form of Pell and SEOG grants, along with Federal Student Loans, increased from prior year due to more awards to students.

- Depreciation has increased by $0.9 million due to increase in completed works-in-progress projects during 2017-18.

- State apportionment decreased by approximately $1.0 million primarily due to increase in local property taxes that compute total state apportionment. In addition, there was a decreased in funding of Proposition 30 Education Protection Account from prior year.

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

- The increase of $1 million in local property tax reflects the growth trend of the local property tax base.
- Federal grants have increased by $2.2 million due to increase in student financial award in form of Pell and SEOG grants along with Federal Student loans, while state grants and contracts have decreased by $5.8 million due to increase in deferred revenues.
- State taxes and other revenues have increased due to increase in lottery revenues, on-behalf payment for pension and state financial aid programs.
- Investment income and net investment expense have increased due to improved interest.
- Interest expense represents the accreted interest charges for the long-term bonds.
- State capital income increased due to capital outlay reimbursements for the L-Tower seismic project.

OPERATING REVENUES	**2018**	**2017**	**Change**
Tuition and fees (net)	$ 6,885,120	$ 6,404,094	$ 481,026
Other operating revenues	1,576,512	1,605,998	(29,486)
Total Operating Revenues	8,461,632	8,010,092	451,540
OPERATING EXPENSES			
Salaries and benefits	93,448,076	73,558,932	19,889,144
Supplies, materials, and other operating expenses	14,468,220	26,375,866	(11,907,646)
Student financial aid	23,205,348	21,529,928	1,675,420
Depreciation	8,302,351	7,397,267	905,084
Total Operating Expenses	139,423,995	128,861,993	10,562,002
Operating Loss	(130,962,363)	(120,851,901)	(10,110,462)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments	58,659,623	59,656,177	(996,554)
Local property taxes	17,470,689	16,462,586	1,008,103
Federal grants	22,128,306	19,864,536	2,263,770
State grants	16,527,421	22,417,341	(5,889,920)
State taxes and other revenues	11,140,298	3,073,138	8,067,160
Investment income	1,780,380	1,429,969	350,411
Interest expense	(13,020,246)	(6,821,909)	(6,198,337)
Other non-operating revenues	2,390,381	7,852,403	(5,462,022)
Total Non-Operating Revenues (Expenses)	117,076,852	123,934,241	(6,857,389)
OTHER REVENUES (EXPENSES)			
State capital income	6,569,390	3,532,410	3,036,980
CHANGE IN NET POSITION	(7,316,121)	6,614,750	(13,930,871)
NET POSITION -- BEGINNING OF YEAR	76,849,131	36,217,254	40,631,877
PRIOR PERIOD ADJUSTMENTS (SEE NOTE 15)	(39,790,443)	34,017,127	(73,807,570)
NET POSITION -- END OF YEAR	$ 29,742,567	$ 76,849,131	$ (47,106,564)

STATEMENT OF FUNCTIONAL EXPENSES

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

	Salaries and Employee Benefits	Supplies, Materials and Other Expenses and Services	Financial Aid	Depreciation	Total
Instructional activities	$ 52,244,957	$ 2,587,556	$ -	$ -	$ 54,832,513
Academic support	8,892,742	1,151,548	-	-	10,044,290
Student services	17,591,433	1,144,572	-	-	18,736,005
Operation & maintenance of plant	3,929,394	2,136,873	-	-	6,066,267
Institutional support services	9,203,732	1,833,221	-	-	11,036,953
Community services & economic development	137,849	101,074	-	-	238,923
Ancillary services & auxiliary operations	657,842	463,832	-	-	1,121,674
Childcare Center	790,127	60,706	-	-	850,833
Physical property & related acquisitions	-	4,988,838	-	-	4,988,838
Student Aid	-	-	23,205,348	-	23,205,348
Depreciation expenses	-	-	-	8,302,351	8,302,351
Total	$ 93,448,076	$ 14,468,220	$ 23,205,348	$ 8,302,351	$ 139,423,995

STATEMENT OF CASH FLOWS

CASH PROVIDED BY (USED IN)	2018	2017	Change
Operating activities	$ (127,820,327)	$ (123,210,841)	$ (4,609,486)
Non-capital financing activities	118,319,897	120,381,496	(2,061,599)
Capital financing activities	(1,783,794)	(2,026,623)	242,829
Investing activities	1,780,380	1,115,556	664,824

CAPITAL ASSETS

As of June 30, 2018, the District had $285.8 million in capital assets, less $77.6 million accumulated depreciation for net capital assets of $208.2 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 $10.5 million on capital assets during the year, the majority of which relate to bond project expenses. Depreciation expenses totaled $8.3 million during the year. Additional information related to capital assets is found in Note 6 of the financial statements.

	2018	2017	Change
Capital Assets not being depreciated	$ 18,742,874	$ 14,903,195	$ 3,839,679
Capital Assets being depreciated	267,091,882	262,796,379	4,295,503
Accumulated depreciation	(77,640,740)	(69,338,389)	(8,302,351)
Total Capital Assets	$ 208,194,016	$ 208,361,185	$ (167,169)

DEBT ADMINISTRATION

At June 30, 2018, the District had $192.5 million in outstanding long-term obligations compared to $191.7 million at June 30, 2017. The overall net increase of $0.9 million is due to accretion of interest of $6.7 million, repayments of General Obligation Bonds of $5.6 million and amortization of bond premium by $0.2 million. Other Postemployment Benefits (OPEB) obligation increased from $37.4 million to $33.4 million. Compensated absences increased by $29,640 whereas the District's share of Net Pension Liability for CalSTRS and CalPERS increased by $10.3 million. Additional information related to long-term obligations is found in Note 10 of the financial statements.

	2018	2017	Change
General obligation and revenue bonds	$ 192,545,455	$ 191,691,131	$ 854,324
Net pension liability	83,785,787	73,504,506	10,281,281
Net OPEB liability, restated	37,372,122	33,353,027	4,019,095
Compensated absences	750,978	721,338	29,640
Total Long-term Liabilities	$ 314,454,342	$ 299,270,002	$ 15,184,340
Amount due within one year	5,980,000	5,600,000	380,000
Total due after one year	$ 308,474,342	$ 293,670,002	$ 14,804,340

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget for fiscal year 2017-2018 was approved by the board on June 13, 2018.

ECONOMIC FACTORS AFFECTING THE FUTURE OF RIO HONDO COMMUNITY COLLEGE DISTRICT

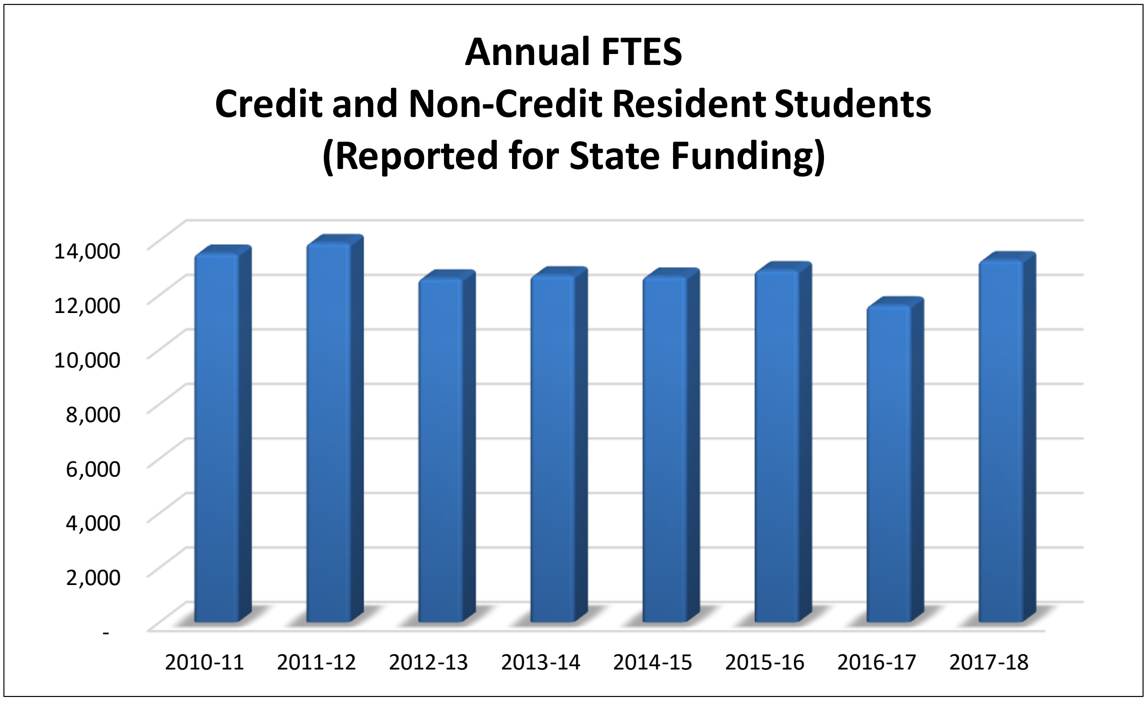
The District's economic condition is directly affected by the economic well-being of the State of California. Through the California Community College Chancellor's Office, the District receives over 90 percent of its combined General Fund revenues from State apportionments, local property taxes including redevelopment agency allocations, and the Education Protection Account (EPA). These sources, along with student paid enrollment fees, make up the District's general apportionment, the main funding support for California community colleges.

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

Management will continue to provide information to the Board of Trustees and the community on the financial condition of the District. Management will closely monitor the State budget and other pertinent information to ensure financial stability and to retain reserve levels required by board policy and the State Chancellor's Office.

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 8 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, 2018

ASSETS		
Current Assets:		
Cash and cash equivalents	$	113,656,009
Restricted cash and cash equivalents		15,000,000
Accounts receivable, net		10,483,916
Inventory		59,332
Due from other funds		91,063
Prepaid expenditures and other assets		114,332
Total Current Assets		139,404,652
Noncurrent Assets:		
Capital assets, net		208,194,016
Total Noncurrent Assets		208,194,016
TOTAL ASSETS		347,598,668
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding		959,959
Deferred outflows - OPEB		13,500,000
Deferred outflows - pensions		24,167,347
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	386,225,974
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	17,461,040
Interest payable		1,741,708
Unearned revenue		15,537,698
Due to other funds		16,000
Long-term debt, current portion		5,980,000
Total Current Liabilities		40,736,446
Noncurrent Liabilities:		
Compensated absences		750,978
Net OPEB liability		37,372,122
Net pension liability		83,785,787
Long-term debt, non-current portion		186,565,455
Total Noncurrent Liabilities		308,474,342
TOTAL LIABILITIES		349,210,788
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		7,272,619
NET POSITION		
Net investment in capital assets		37,874,686
Restricted for:		
Debt service		8,367,658
Capital projects		26,777,857
Other special purposes		4,183,723
Unrestricted		(47,461,357)
TOTAL NET POSITION		29,742,567
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	386,225,974

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN THE NET POSITION – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES		
Tuition and fees	$	16,039,118
Less: Scholarship discounts and allowances		(9,153,998)
Net tuition and fees		6,885,120
Other operating revenues		1,576,512
TOTAL OPERATING REVENUES		8,461,632
OPERATING EXPENSES		
Salaries		57,612,990
Employee benefits		35,835,086
Supplies, materials, and other operating expenses and services		14,468,220
Student aid		23,205,348
Depreciation		8,302,351
TOTAL OPERATING EXPENSES		139,423,995
OPERATING INCOME (LOSS)		(130,962,363)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital		58,659,623
Local property taxes		7,307,804
Federal grants		22,128,306
State grants		16,527,421
State taxes and other revenues		11,140,298
Investment income - noncapital		1,780,380
Interest expense on capital asset-related debt		(13,020,246)
Other non-operating revenues		2,390,381
TOTAL NON-OPERATING REVENUES (EXPENSES)		106,913,967
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		(24,048,396)
State apportionments, capital		6,569,390
Local property taxes and revenues, capital		10,162,885
CHANGE IN NET POSITION		(7,316,121)
NET POSITION -- BEGINNING OF YEAR		76,849,131
PRIOR YEAR ADJUSTMENT (SEE NOTE 15)		(39,790,443)
NET POSITION -- END OF YEAR	$	29,742,567

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 6,885,120
Payments to or on behalf of employees	(99,549,378)
Payments to vendors for supplies and services	(13,436,170)
Payments to students	(23,296,411)
Other operating receipts	1,576,512
Net Cash Used by Operating Activities	(127,820,327)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	58,659,623
Property taxes	7,307,804
Grants and contracts	38,821,791
State taxes and other revenues	11,140,298
Other nonoperating receipts	2,390,381
Net Cash Provided by Non-capital Financing Activities	118,319,897
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(8,135,182)
Local property tax, capital projects	16,732,275
Principal paid on capital debt	(5,600,000)
Interest paid on capital debt	(4,780,887)
Net Cash Provided (Used) by Capital Financing Activities	(1,783,794)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	1,780,380
Net Cash Provided by Investing Activities	1,780,380
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(9,503,844)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	138,159,853
CASH & CASH EQUIVALENTS, END OF YEAR	$ 128,656,009

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	$ (130,962,363)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	8,302,351
Changes in Assets and Liabilities:	
Inventory	(38,894)
Prepaid items	(80,555)
Due from other funds	(91,063)
Deferred outflows - OPEB	(13,500,000)
Deferred outflows - pensions	(8,935,319)
Accounts payable and accrued liabilities	1,151,499
Net OPEB liability	4,019,095
Net pension liability	10,281,281
Deferred inflows - pensions	2,004,001
Compensated absences	29,640
Total Adjustments	3,142,036
Net Cash Flows From Operating Activities	$ (127,820,327)

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Associated Student Body Fund	Auxiliary Services Organization Fund	Retiree OPEB Trust
ASSETS			
Cash and cash equivalents	$ 472,043	$ 916,709	$ -
Investments	-	-	35,075,676
Accounts receivable	240	29,360	-
Due from other funds	16,500	-	-
Total Assets	488,783	946,069	35,075,676
LIABILITIES			
Accounts payable	147,541	869,501	-
Total Liabilities	147,541	869,501	-
NET POSITION			
Held in Trust for Student Groups	341,242	76,568	-
Restricted for postemployment benefits other than pensions	-	-	35,075,676
Total Net Position	$ 341,242	$ 76,568	$ 35,075,676

RIO HONDO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Associated Student Body Fund	Auxiliary Services Organization Fund	Retiree OPEB Trust
OPERATING REVENUES:			
Local revenue	$ 205,159	$ 323,495	$ -
Interest and investment income	-	-	779,066
Total Operating Revenues	205,159	323,495	779,066
OPERATING EXPENSES:			
Salaries	47,500	-	-
Employee benefits	2,500	-	-
Services and operating expenditures	121,333	345,529	158,368
Total Operating Expenses	171,333	345,529	158,368
OTHER FINANCING SOURCES			
Other sources - District trust contributions	-	-	13,500,000
Net Change in Net Position	33,826	(22,034)	14,120,698
Net Position -- Beginning of Year	307,416	98,602	20,954,978
Net Position -- End of Year	$ 341,242	$ 76,568	$ 35,075,676

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

NOTE 1 - ORGANIZATION

Rio Hondo Community College District (the District) was established in 1960 as a political subdivision of the State of California and 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.

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.

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, 2018, 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.

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.

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:

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 $39,329,235 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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, 2018, consist of the following:

Cash in county treasury	$ 116,301,229
Cash on hand and in banks	1,061,860
Cash with fiscal agent	96,355
Total	$ 117,459,444

Deposits and investments of the Fiduciary Funds as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 1,388,752
Investments	35,075,676
Total	$ 36,464,428

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	$ 116,301,229	$ 114,743,490	609 Days
Mutual Funds	35,075,676	35,075,676	N/A
Total Investments	$ 151,376,905	$ 149,819,166	

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, 2018

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, 2018, the District's bank balance of $1,061,860 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.

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, 2018:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Los Angeles County Investment Pool	$ 114,743,490	$ -	$ 114,743,490
Mutual Funds	35,075,676	35,075,676	-
Total Investments	$ 149,819,166	$ 35,075,676	$ 114,743,490

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	
Categorical aid	$ 719,388
State Government	
Categorical aid	7,263,986
Lottery	272,736
Local Sources	
Interest	640,216
Other local sources	1,587,590
Total	$ 10,483,916

	Fiduciary Funds
Other local sources	$ 29,600

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance July 1, 2017	Additions	Deductions	Beginning Balance June 30, 2018
Capital Assets not being Depreciated				
Land	$ 7,710,208	$ -	$ -	$ 7,710,208
Construction in progress	7,192,987	6,221,802	2,382,123	11,032,666
Total Capital Assets not being Depreciated	14,903,195	6,221,802	2,382,123	18,742,874
Capital Assets being Depreciated				
Buildings and improvements	250,355,374	3,225,850	-	253,581,224
Equipment and furniture	10,698,972	1,069,653	-	11,768,625
Capitalized equipment	1,742,033	-	-	1,742,033
Total Capital Assets being Depreciated	262,796,379	4,295,503	-	267,091,882
Total Capital Assets	277,699,574	10,517,305	2,382,123	285,834,756
Less Accumulated Depreciation				
Buildings and improvements	59,355,296	7,791,911	-	67,147,207
Equipment and furniture	8,241,060	510,440	-	8,751,500
Capitalized equipment	1,742,033	-	-	1,742,033
Total Accumulated Depreciation	69,338,389	8,302,351	-	77,640,740
Net Capital Assets	$ 208,361,185	$ 2,214,954	$ 2,382,123	$ 208,194,016

Depreciation expense for the year was $8,302,351.

Interest expense on capital related debt for the year ended June 30, 2018, was $10,817,752. Of this amount, $373,576 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll and benefits	$ 8,050,653
Construction	1,810,257
JPA payments	3,000,000
Other vendor payables	4,600,130
Total	$ 17,461,040

	Fiduciary Funds
Other	$ 1,017,042

NOTE 8 – UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 34,637
State apportionment	3,796,648
State categorical aid	8,037,142
Other state	2,747,168
Student fees	922,103
Total	$ 15,537,698

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2018, the primary government owed the fiduciary funds $16,600.

NOTE 9 - INTERFUND TRANSACTIONS, continued

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018 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 2018 fiscal year consisted of the following:

	Balance July 1, 2017	Restatement	Restated Restated Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds							
2005 Series A, General obligation refunding bonds	$ 35,355,000	$ -	$ 35,355,000	$ -	$ 3,705,000	$ 31,650,000	$ 3,890,000
2009 Series B, General obligation bonds	61,919,685	-	61,919,685	282,436	1,895,000	60,307,121	2,090,000
2010 Series C, General obligation bonds	90,998,752	-	90,998,752	6,408,949	-	97,407,701	-
Unamortized premium	3,417,694	-	3,417,694	-	237,061	3,180,633	-
Total general obligation bonds	191,691,131	-	191,691,131	6,691,385	5,837,061	192,545,455	5,980,000
Other Long-Term Liabilities							
Compensated absences	721,338	-	721,338	29,640	-	750,978	-
Net OPEB liability	(6,437,416)	39,790,443	33,353,027	4,019,095	-	37,372,122	-
Net pension liability	73,504,506	-	73,504,506	10,281,281	-	83,785,787	-
Total Other Long-Term Liabilities	67,788,428	39,790,443	107,578,871	14,330,016	-	121,908,887	-
Total Long-Term Obligations	$ 259,479,559	$ 39,790,443	$ 299,270,002	$ 21,021,401	$ 5,837,061	$ 314,454,342	$ 5,980,000

Description of Debt

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

Bonded Debt

On September 26, 2005, the District adopted a resolution to issue general obligation refunding bonds (the Refunding Bonds) to finance the advance refunding of a portion of the District's outstanding Series A Bonds starting August 1, 2015. On November 3, 2005, Refunding Bonds in the amount of $47,117,244 were issued which consisted of current interest bonds of $43,750,000 and capital appreciation bonds of $3,367,244. The Refunding Bonds, rated "AAA" by Standard & Poor's at the time of issuance, will mature on August 1, 2024. The total proceeds from the bond issuance amounted to $51,103,479.

NOTE 10 - LONG-TERM OBLIGATIONS, continued

Concurrent with the issuance of the Refunding Bonds, the District deposited part of the proceeds in the amount of $46,371,376 from the Refunding Bonds in trust into an escrow agent securing the respective maturities of the Series A General Obligation Bonds. The remaining portion in the amount of $4,732,103 was deposited to the revenue bond construction fund. The advanced refunding met the requirements of an in-substance defeasance. Accordingly, the refunded portion of the Series A General Obligation Bonds was removed from the District's financial statements. The defeasance of the Series A General Obligation Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt.

On March 11, 2009, the District issued $64,996,844 of Series B General Obligation Bonds to fund the acquisition, construction, furnishing, equipping, and improvement of capital facilities within the District. The Series B General Obligation Bonds, which were rated "AA" by Standard & Poor's at the time of issuance, consist of $60,190,000 current interest bonds and $4,806,844 capital appreciation bonds. Interest on the current interest bonds is payable semi-annually on February 1 and August 1. Current interest bonds bear interest at rates ranging from 3.0 percent to 5.0 percent, and the bonds mature on August 1, 2030. Capital appreciation bonds bear compounded interest at rates ranging from 6.60 percent to 6.69 percent and will mature in August 2033. The total proceeds from the bond issuance amounted to $66,545,864.

On December 21, 2010, the District issued $60,040,980 of Measure A, Series C General Obligation Bonds to finance the furnishing, equipping, acquisition, construction, and improvement of District capital facilities authorized at the 2004 election. The Series C bonds consist of $18,806,028 capital appreciation bonds and $41,234,952 convertible capital appreciation bonds. Capital appreciation bonds accrete interest from the date of delivery, compounded semi-annually on February 1 and August 1 of each year and will be payable solely at maturity, with accretion rates ranging from 6.99 percent to 12.00 percent. The bonds mature on August 1, 2038. The convertible capital appreciation bonds were initially issued as capital appreciation bonds and will convert to current interest bonds on August 1, 2024, the conversion date. Prior to the conversion date, these bonds will not pay interest, but will accrete in value from their initial principal amounts on the delivery date to the conversion date. Capital accretion rates range from 6.625 percent to 6.850 percent. Prior to the conversion date, interest will be compounded on each February 1 and August 1, commencing on February 1, 2011. No payment of interest will be made prior to or on the conversion date. Following conversion, the bonds will pay current interest based on the conversion value. Such interest will be payable semi-annually on each February 1 and August 1, commencing on February 1, 2025, ranging from 6.625 percent to 6.850 percent. The bonds mature on August 1, 2042.

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Yield	Maturity Date	Original Issue	Bonds Outstanding July 1, 2017	Additions	Redeemed	Bonds Outstanding June 30, 2018
2005 Series A Refunding	11/3/2005	3.00-5.00%	8/1/2024	$ 47,117,244	$ 35,355,000	$ -	$ 3,705,000	$ 31,650,000
2009 Series B	3/11/2009	3.00-6.69%	8/1/2033	64,996,844	61,919,685	282,436	1,895,000	60,307,121
2010 Series C	12/21/2010	6.62-6.99%	8/1/2042	60,040,980	90,998,752	6,408,949	-	97,407,701
					$ 188,273,437	$ 6,691,385	$ 5,600,000	$ 189,364,822

NOTE 10 - LONG-TERM OBLIGATIONS, continued

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

Fiscal Year	Principal	Interest	Total
2019	$ 3,890,000	$ 1,459,838	$ 5,349,838
2020	4,085,000	1,260,462	5,345,462
2021	4,285,000	1,051,212	5,336,212
2022	4,500,000	831,587	5,331,587
2023	4,725,000	600,962	5,325,962
2024-2025	10,165,000	488,419	10,653,419
Total	$ 31,650,000	$ 5,692,480	$ 37,342,480

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

Fiscal Year	Principal	Interest	Accreted Interest	Total
2019	$ 2,090,000	$ 2,570,762	$ -	$ 4,660,762
2020	2,290,000	2,472,712	-	4,762,712
2021	2,585,000	2,362,287	-	4,947,287
2022	2,815,000	2,227,287	-	5,042,287
2023	3,105,000	2,079,287	-	5,184,287
2024-2028	20,915,000	7,558,757	-	28,473,757
2029-2033	21,186,990	1,454,300	11,303,009	33,944,299
2034	1,529,853	-	6,085,147	7,615,001
Accretion	3,790,278	-	(3,790,278)	-
Total	$ 60,307,121	$ 20,725,392	$ 13,597,878	$ 94,630,392

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

Fiscal Year	Principal	Interest	Accreted Interest	Total
2019	$ -	$ -	$ -	$ -
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024-2028	250,978	24,334,940	1,424,021	26,009,939
2029-2033	3,237,446	34,764,200	12,217,555	50,219,201
2034-2038	12,626,603	34,764,200	56,933,397	104,324,200
2039-2043	43,925,954	21,455,335	76,369,048	141,750,335
Accretion	37,366,720	-	(37,366,720)	-
Total	$ 97,407,701	$ 115,318,675	$ 109,577,301	$ 322,303,675

NOTE 10 - LONG-TERM OBLIGATIONS, continued

Compensated Absences

At June 30, 2018, the liability for compensated absences was $750,978.

Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to $83,785,787. See Note 13 for additional information.

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 staturory 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.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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 2017-2018, the District contributed $13,500,000 to the Plan, of which $13,500,000 was deposited in the District's irrevocable OPEB Trust. 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.

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	309
Active Employees	479
	788

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 roleis 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 $37,372,122 as of June 30, 2018.

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, 2018:

Asset Class	Percentage of Portfolio	Assumed Gross Return
Equities	25%	8%
Fixed Income	70%	4%
Real Estate	5%	8%
Total	100%	

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	5.20%
Discount rate	5.20%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $4,019,095. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $13,500,000.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance July 1, 2017	$ 55,647,152	$ 10,081,872	$ 45,565,280
Changes for the year:			
Service cost	2,005,362	-	2,005,362
Interest	2,886,839	-	2,886,839
Employer contributions	-	12,212,253	(12,212,253)
Actual investment income	-	969,430	(969,430)
Administrative expense	-	(96,324)	96,324
Benefit payments	(2,212,253)	(2,212,253)	-
Net change	2,679,948	10,873,106	(8,193,158)
Balance June 30, 2018	$ 58,327,100	$ 20,954,978	$ 37,372,122

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability as June 30, 2018 was 35.9%.

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):

	Discount Rate 1% Lower (4.20%)	Current Discount Rate (5.20%)	Discount Rate 1% Higher (6.20%)
Net OPEB liability	$ 45,683,961	$ 37,372,122	$ 30,585,814

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

	Healthcare Cost Trend Rates 1% Lower (3.00%)	Healthcare Cost Trend Rates Current Rate (4.00%)	Healthcare Cost Trend Rates 1% Higher (5.00%)
Net OPEB liability	$ 30,638,581	$ 37,372,122	$ 45,313,350

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. SCCCD is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SCCCD, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SCCCD's board of directors and shares surpluses and deficits proportionately to its participation in SCCCD.

ASCIP arranges for and provides property, liability, and excess workers' compensation insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested. WSGVB functions under a banking system, where each member district operates separately from other member districts. Each individual member district makes their premium deposit based primarily upon their scheduled insurance coverage. Coverage is supplied for dental and vision care for all participating member 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, 2018, the District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 53,790,703	$ 15,167,061	$ 6,473,078	$ 5,216,602
CalPERS	29,995,084	9,000,286	799,541	5,861,744
Total	$ 83,785,787	$ 24,167,347	$ 7,272,619	$ 11,078,346

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.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contribution

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were $5,003,031.

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

At June 30, 2018, 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	$	53,790,703
State's proportionate share of the net pension liability associated with the District		31,822,385
Total	$	85,613,088

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0582 percent and 0.0604 percent, respectively, resulting in a net decrease in the proportionate share of 0.0022 percent.

For the year ended June 30, 2017, the District recognized pension expense of $5,216,602. In addition, the District recognized pension expense and revenue of $1,674,875 for support provided by the State. At June 30, 2017, 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	$ -	$ 2,178,404
Differences between expected and actual experience	198,923	993,024
Changes in assumptions	9,965,107	-
Net changes in proportionate share of net pension liability	-	3,301,650
District contributions subsequent to the measurement date	5,003,031	-
Total	$ 15,167,061	$ 6,473,078

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
2019	$ 185,775
2020	185,775
2021	185,777
2022	(55,781)
2023	1,495,401
Thereafter	1,694,005
	$ 3,690,952

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, 2015 and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

Discount Rate

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	$ 78,981,830	$ 53,790,703	$ 33,346,397

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, 2017, 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.89%	13.89%

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, 2018, are presented above, and the total District contributions were $2,725,352.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $29,995,084. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.1256 percent and 0.1248 percent, respectively, resulting in a net increase in the proportionate share of 0.0008 percent.

For the year ended June 30, 2018, the District recognized pension expense of $5,861,744. At June 30, 2018, 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	$ 596,434	$ -
Differences between expected and actual experience	1,191,659	-
Changes in assumptions	4,343,807	485,310
Net changes in proportionate share of net pension liability	143,034	314,231
District contributions subsequent to the measurement date	2,725,352	-
Total	$ 9,000,286	$ 799,541

The deferred outflow 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.

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
2019	$ 2,098,672
2020	2,087,647
2021	1,821,517
2022	(532,443)
	$ 5,475,393

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
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.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long- term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

*An expected inflation of 2.5% used for this period
**An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	$ 44,132,381	$ 29,995,084	$ 18,267,013

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to $2,785,605. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. 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, 2018.

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, 2018.

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
2019	$ 139,056
2020	120,153
2021	39,462
2022	19,745
Total	$ 318,416

NOTE 14 - COMMITMENTS AND CONTINGENCIES, continued

Construction Commitments

As of June 30, 2018, 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	$ 6,407,274	$ 23,012,454	9/30/2019
Pico Rivera Educational Center	615,672	40,284	12/31/2018
HVAC - Data Center Upgrade	1,341,880	67,094	9/30/2018
Totals	$ 8,364,826	$ 23,119,832	

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

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The beginning net position decreased by $39,790,443. This was due to adjustments made to bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 2, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75.

NOTE 16 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2018 through December 5, 2018, the date the financial statements were issued. In August 2018, the District transferred $15 million to the OPEB irrevocable trust. The District noted no additional subsequent events that have occurred which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

		2018
Total OPEB liability		
Service cost	$	2,005,362
Interest on Total OPEB Liability		2,886,839
Benefit payments		(2,212,253)
Net change in total OPEB liability		2,679,948
Total OPEB liability, beginning of year		55,647,152
Total OPEB liability, end of year (a)	$	58,327,100
Plan fiduciary net position		
Employer contributions	$	12,212,253
Net investment income		969,430
Administrative expense		(96,324)
Benefit payments		(2,212,253)
Change in plan fiduciary net position		10,873,106
Fiduciary trust net position, beginning of year		10,081,872
Fiduciary trust net position, end of year (b)	$	20,954,978
Net OPEB liability(asset), ending (a) - (b)	$	37,372,122
Covered payroll	$	54,781,403
Plan fiduciary net position as a percentage of the total OPEB liability(asset)		35.93%
Net OPEB liability(asset) as a percentage of covered payroll		68.22%

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, 2018

		2018
Actuarially determined contribution	$	2,300,743
Contributions in relations to the actuarially determined contribution		12,212,253
Contribution deficiency (excess)	$	(9,911,510)
Covered-employee payroll	$	54,781,403
Contribution as a percentage of covered-employee payroll		4.20%

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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

CalSTRS	**2018**	**2017**	**2016**	**2015**
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 penesion 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	155.15%	195.79%	142.41%	131.91%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.04%	74.02%	76.52%

CalPERS	**2018**	**2017**	**2016**	**2015**
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	152.87%	175.53%	130.67%	108.18%
Plan fiduciary net position as a percentage of the total pension liability	71.90%	73.90%	79.43%	83.38%

RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	Reporting Fiscal Year			
CalSTRS	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%

	Reporting Fiscal Year			
CalPERS	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	$ 19,620,965	$ 16,350,058	$ 14,046,189	$ 14,501,020
District's contributions as a percentage of covered-employee payroll	13.89%	13.89%	11.85%	11.77%

See accompanying note to required supplementary information.

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 – The discount rate for CalPERS was 7.65% as of June 30, 2017 and 7.15% as of June 30, 2018. The discount rate for CalSTRS was 7.60% as of June 30, 2017 and 7.10% as of June 30, 2018. The change in discount rate increased the total net pension liability for each plan.

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, 2018

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, 2018, the Board of Trustees and District Executive Officers are composed of the following members:

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Madeline Shapiro	President	December 2018
Vicky Santana	Vice President	December 2020
Mary Ann Pacheco	Clerk	December 2018
Norma Edith Garcia	Member	December 2018
Gary Mendez	Member	December 2020
Diana Laureano	Student Trustee	May 2019

DISTRICT ADMINISTRATION

Teresa Dreyfuss
Superintendent/President

Yulian Ligioso
Vice President, Finance and Business

Dr. Laura Ramirez
Vice President, Academic Affairs

Henry Gee
Vice President, Student Services

RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER*	FEDERAL EXPENDITURES
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	N/A	$ 18,983,907
Federal Supplemental Education Opportunity Grants	84.007	N/A	408,060
Federal Work Study Program	84.033	N/A	472,876
Federal Direct Student Loans	84.268	N/A	372,260
Postsecondary Educational Scholarship For Veteran's Dependents	84.408	N/A	74,858
Total Student Financial Aid Cluster			20,311,961
TRIO Cluster			
Student Support Services	84.042	N/A	246,547
SSS STEM Program	84.042A	N/A	231,132
Total TRIO Cluster			477,679
The "Avance" Project (TAP)	84.031S	N/A	533,701
Hispanic Serving Institutions	84.031S	N/A	28,976
Passed Through California Community Colleges Chancellor's Office			
Title I, Part C	84.048A	N/A	535,494
Total U.S. Department of Education			21,887,811
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child and Adult Care Food Program	10.558	CSPP-7247	38,021
Total U.S. Department of Agriculture			38,021
U.S. Department of Health and Human Services			
Passed Through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	N/A	72,035
Foster and Kinship Care Education	93.658	N/A	81,835
Total U.S. Department of Health and Human Services			153,870
Research and Development Cluster			
National Science Foundation			
Auto Transit	47.076	N/A	63,932
Scholarships to Aid Rio Hondo STEM Students (STARSS)	47.076	N/A	36,220
Total Research and Development Cluster			100,152
AmeriCorps Student Ambassador Program			
Pass through from Foundation for California Community Colleges Student Services			
Corporation for National and Community Service (CNCS)	94.006	N/A	5,624
Total AmeriCorps Student Ambassador Program			5,624
Total Federal Programs			$ 22,185,478

* 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, 2018

	Program Revenues				Total
	Cash	Accounts	Deferred		Program
Program Name	Received	Receivable	Revenue	Total	Expenditures
State Categorical Aid Programs					
Disabled Student Program and Services	$ 985,168	$ -	$ -	$ 985,168	$ 985,168
Access to Print and Electronic Information	11,284	-	-	11,284	11,284
Deaf and Hard of Hearing	7,563	-	-	7,563	7,563
Extended Opportunity Program and Services	1,606,617	-	-	1,606,617	1,606,617
CARE Program	196,296	-	-	196,296	196,296
Cal Grant	2,160,400	-	-	2,160,400	2,160,400
CalWorks	433,095	-	-	433,095	433,095
Childcare Tax Bailout	12,455	-	-	12,455	12,455
Student Success (Credit)	3,276,463	-	310,897	2,965,566	2,965,566
Student Success (Noncredit)	81,918	-	13,102	68,816	68,816
Student Equity	1,671,850	-	376,017	1,295,833	1,295,833
Equal Employment Opportunity	50,000	-	-	50,000	50,000
Nursing Education- Enrollment Growth	-	79,200	3,550	75,650	75,650
Nursing Education- Retention	-	68,400	4,205	64,195	64,195
Apprenticeship	1,409,085	-	5,710	1,403,375	1,403,375
Part-time Faculty	242,929	-	-	242,929	242,929
Temporary Assistance to Needy Family (TANF)	77,686	18,645	-	96,331	96,331
Physical Plant and Instructional Support	758,836	-	-	758,836	758,836
Prop 39	-	423,221	423,221	-	-
Manadated Block grant	350,572	-	350,572	-	-
Manadated Block grant (One-Time)	344,284	-	344,284	-	-
Adult Education Block Grant Program	424,911	302,371	302,371	424,911	424,911
Basic Skills	506,956	-	275,619	231,337	231,337
Basic Skills Partnership Grant	424,445	-	53,932	370,513	370,513
Basic Skills Transormation Grant	363,224	104,163	13,981	453,406	453,406
Deputy Sector Navigator- Health	290,124	-	11,604	278,520	278,520
Deputy Sector Navigator- Energy	274,032	59,773	-	333,805	333,805
Foster Care Education	101,022	-	-	101,022	101,022
MESA Grant	77,399	13,936	-	91,335	91,335
Career Technical Education -Teacher Prep Pipeline	-	98,651	-	98,651	98,651
Career Technical Education -Pathway Program	225,788	60,000	155,907	129,881	129,881
Full Time Student Success Grant	896,000	-	290,942	605,058	605,058
S.F.A.A.	529,976	-	-	529,976	529,976
Veteran Resource Center	45,926	-	-	45,926	45,926
Strong Workforce	1,410,150	-	-	1,410,150	1,410,150
Guided Pathway	355,037	-	247,522	107,515	107,515
Safety Campus	23,536	-	23,536	-	-
Nonresident Dreamer	36,336	-	-	36,336	36,336
Hunger Free Campus	27,450	-	25,715	1,735	1,735
Community College Completion Grant	254,195	1,305	-	255,500	255,500
Subtotal	$ 19,943,008	$ 1,229,665	$ 3,232,687	$ 17,939,986	$ 17,939,986

RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	39.39	-	39.39
2. Credit	1,448.41	-	1,448.41
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	-	-	-
2. Credit	257.05	-	257.05
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,048.48	-	8,048.48
(b) Daily Census Contact Hours	815.56	-	815.56
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	449.93	-	449.93
(b) Credit	915.40	-	915.40
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	891.28	-	891.28
(b) Daily Census Contact Hours	409.84	-	409.84
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	13,275.34	-	13,275.34
Supplemental Information (subset of above information)			
E. In-service Training Courses	379.62	-	379.62
F. Basic Skills Courses and Immigrant Education			
1. Credit	868.62	-	868.62
2. Noncredit	175.96	-	175.96
Total Basic Skills FTES	1,044.58	-	1,044.58

RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 12,753,998	$ -	$ 12,753,998	$ 12,787,091	$ -	$ 12,787,091
Other	1300	13,897,669	-	13,897,669	14,366,542	-	14,366,542
Total Instructional Salaries		26,651,667	-	26,651,667	27,153,633	-	27,153,633
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	6,236,677	-	6,236,677
Other	1400	-	-	-	471,546	-	471,546
Total Non-Instructional Salaries		-	-	-	6,708,223	-	6,708,223
Total Academic Salaries		26,651,667	-	26,651,667	33,861,856	-	33,861,856
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	10,686,197	-	10,686,197
Other	2300	-	-	-	777,897	-	777,897
Total Non-Instructional Salaries		-	-	-	11,464,094	-	11,464,094
Instructional Aides							
Regular Status	2200	1,546,177	-	1,546,177	1,589,540	-	1,589,540
Other	2400	529,573	-	529,573	529,573	-	529,573
Total Instructional Aides		2,075,750	-	2,075,750	2,119,113	-	2,119,113
Total Classsified Salaries		2,075,750	-	2,075,750	13,583,207	-	13,583,207
Employee Benefits	3000	15,108,894	-	15,108,894	24,725,398	-	24,725,398
Supplies and Materials	4000	-	-	-	761,724	-	761,724
Other Operating Expenses	5000	112,604	-	112,604	6,850,361	-	6,850,361
Equipment Replacement	6420	-	-	-	11,472	-	11,472
Total Expenditures Prior to Exclusions		43,948,915	-	43,948,915	79,794,018	-	79,794,018
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	3,552,214	-	3,552,214	3,552,214	-	3,552,214
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	1,699,779	-	1,699,779
Object to Exclude							
Rents and Leases	5060	-	-	-	27,758	-	27,758
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	1,280,987	-	1,280,987	1,280,987	-	1,280,987
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	328,039	-	328,039
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	328,039	-	328,039
Other Operating Expenses and Services	5000	-	-	-	310,356	-	310,356
Capital Outlay	6000						
Library Books	6300	-	-	-	49,310	-	49,310
Equipment	6400				-		
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	48,192	-	48,192
Total Equipment		-	-	-	48,192	-	48,192
Total Capital Outlay		-	-	-	97,502	-	97,502
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		$ 4,833,201	$ -	$ 4,833,201	$ 7,296,635	$ -	$ 7,296,635
Total for ECS 84362, 50% Law		$ 39,115,714	$ -	$ 39,115,714	$ 72,497,383	$ -	$ 72,497,383
Percent of CEE (Instructional Salary Cost/Total CEE)		53.95%	0.00%	53.95%	100.00%	0.00%	100.00%
50% of Current Expense of Education		$ -	$ -	$ -	$ 36,248,692	$ -	$ 36,248,692

RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

June 30, 2018	Unrestricted General Fund	Restricted General Fund	Child Development Fund
Annual Financial and Budget Report (CCFS-311)			
Fund Balance	$ 5,816,313	$ 3,360,568	$ 791,021
Adjustments and reclassifications increasing			
(decreasing) the fund balance:			
Decrease in accounts payable and accrued expenses	4,731,749	823,155	236,295
Change in cash with fiscal agent	-	-	-
Net Adjustments and Reclassifications	4,731,749	823,155	236,295
Audited Financial Statements Fund Balance	$ 10,548,062	$ 4,183,723	$ 1,027,316
	$ -	$ -	$ -

June 30, 2018	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Workers' Compensation and Retiree Self-Insurance Fund
Annual Financial and Budget Report (CCFS-311)			
Fund Balance	$ 22,227,032	$ 21,203,356	$ 17,657,227
Adjustments and reclassifications increasing			
(decreasing) the fund balance:			
Decrease in accounts payable and accrued expenses	212	153,470	15,000,000
Increase in cash with fiscal agent	-	-	11,292,920
Net Adjustments and Reclassifications	212	153,470	26,292,920
Audited Financial Statements Fund Balance	$ 22,227,244	$ 21,356,826	$ 43,950,147

See accompanying note to supplementary information.

RIO HONDO COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

EPA Revenue	$ 9,588,210

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	$ 9,588,210	-	-	$ 9,588,210
Total		$ 9,588,210	-	-	$ 9,588,210

See accompanying note to supplementary information.

RIO HONDO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Equity - District Funds Included in the Reporting Entity		$ 106,389,914
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	$ 18,742,874	
Depreciable capital assets	267,091,882	
Accumulated depreciation	(77,640,740)	208,194,016
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred loss on refunding		959,959
Deferred outflows - OPEB		13,500,000
Deferred outflows - pensions		24,167,347
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Compensated absences		(750,978)
Net OPEB liability		(37,372,122)
Net pension liability		(83,785,787)
Long-term debt		(192,545,455)
Unmatured Interest		(1,741,708)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred inflows - pensions		(7,272,619)
Net Position Reported Within the Statements of Net Position		$ 29,742,567

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.

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.

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, 2018, 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 5, 2018.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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.

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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*.

Rio Hondo Community College District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 5, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Rio Hondo Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 5, 2018

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Rio Hondo Community College District
Whittier, California

Report on State Compliance

We have audited Rio Hondo Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in 2018 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in 2017-18.

Auditors' Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual 2017-18*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2017-18*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

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Other Matters

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 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Instructional Service Agreements/Contracts
Section 424 – State General Apportionment Funding System
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment (CCAP and Non-CCAP)
Section 428 – Student Equity
Section 429 – Student Success and Support Program (SSSP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 435 – Open Enrollment
Section 439 – Proposition 39 Clean Energy
Section 440 – Intersession Extension Programs
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 479 – To Be Arranged Hours (TBA)
Section 490 – Proposition 1D and 51 State Bond Funded Projects
Section 491 – Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 5, 2018

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FINDINGS AND QUESTIONED COSTS SECTION

RIO HONDO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditors' Results

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
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?	None reported
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:	

CFDA Numbers	Name of Federal Program of Cluster
84.007, 84.033 84.063, 84.268, 84.408	Student Financial Aid Cluster

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

STATE AWARDS

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

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 findings or questioned costs identified during 2017-18.

Section III – Federal Award Findings and Questioned Costs

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

There were no federal award findings or questioned costs identified during 2017-18.

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 2017-18.

2017-001 – Overall Closing Process

Criteria or Specific Requirement

Best practices require a review and reconciliation of all account balances to reflect proper activity at year end in accordance with Generally Accepted Accounting Principles (GAAP).

Condition

Material Weakness - Accounts payable balances recorded in the governmental funds contained carry-over balances from prior years. It was determined that these balances represent liabilities that are noncurrent in nature and do not follow the economic resources measurement focus as specified in the California Community Colleges Chancellor's Office *Budget and Accounting Manual*.

A cash balance held in a "Retiree Health Insurance Fund" with the Southern California Community College District JPA for the benefit of the District was not recorded on the District's general ledger. These funds were not held in an irrevocable trust. Also, the District had a balance with the same JPA as part of the Workers' Compensation Program. This balance is identified by the JPA as a "Safety Credit Balance" and represents funds available to the District for payment of premiums and claims. The District has control of all amounts deposited and withdrawn from these accounts.

Several Federal and State categorical programs were not properly closed at year end. GASB Statement No. 33 requires that revenues equal expenses, up to the award amount, for categorical programs subject to unearned revenue accruals.

Questioned Costs

Material adjustments to the financial statements were reviewed with management and accepted for posting. No questioned costs were associated with this finding.

Context

The accounts payable balance associated with the long-term accruals was approximately $22.7 million at the beginning of the year.

The cash and cash equivalent balance for the District at year end associated with the JPA accounts not recorded on the general ledger was approximately $11.3 million.

For the 2016-2017 fiscal year, the District had miscellaneous differences throughout several programs.

Effect

Material adjustments to the general ledger were proposed as a result of audit procedures. These adjustments were accepted by management to ensure the financial statements were presented fairly.

2017-001 – Overall Closing Process, continued

Cause

The oversight and monitoring controls over the asset and liability accounts and the closing process appear not have been adhered to.

Recommendation

As part of the closing process, the District should develop a procedure to review all accruals recorded in the governmental funds to ensure that they meet economic resources measurement focus recognition criteria. Carry-over balances from prior years should be analyzed to determine if the transaction still represents a valid liability to the fund.

The District should review the general ledger to ensure that all cash accounts held by the District, and for the benefit of the District, are reflected in the accounting records.

Per GASB Statement No. 33, categorical programs subject to unearned revenues recognize revenue when the qualifying expenditure is made. Revenue received, but not expended by the end of the fiscal year, must be reported as deferred revenue. For these types of programs, revenues are required to match qualifying expenditures. As part of the closing process, an accounts receivable or unearned revenue should be booked to properly close out the categorical programs for the difference between revenues and expenses.

Management's Response and Corrective Action Plan

The accounts payable and the cash balance comments are related to a change in accounting for pension obligations as called for under the new Governmental Accounting Standards Board (GASB) Statement No. 74 which was implemented by Rio Hondo College during fiscal year 2016-2017, the year under audit.

GASB Statement No. 74 requires that all funds designated to meet Other Postemployment Benefits (OPEB) obligations be held in an irrevocable fund rather than accounted for as an internal or external set aside, even with another Joint Powers Agency (JPA). Up until this point, Rio Hondo College accrued and accounted for balances to meet and address its institutional OPEB liabilities as local set asides.

Regarding the comment on several Federal and State categorical programs, the differences are deemed immaterial in comparison with the size of the General Fund.

2017-001 – Overall Closing Process, continued

These issues have already been addressed as follows:

1) Accounts payable balances in the governmental funds were transferred from the General Fund to retirees' health contribution under internal service fund in November 2017.

2) Cash balance with Southern California Community College JPA "Retiree Health Insurance Fund" was transferred in November 2017 to irrevocable trust with the Futuris Public Trust fund managed by Keenan & Associates.

3) There were small and insignificant differences between revenues and expenditures under categorical grants/programs, but these were both individually and in the aggregate immaterial to cause any material misstatement of the overall financial statements. We will do our best to equalize revenues and expenditures during the year-end closing process.

Current Status

Implemented

2017-002 – Section 424 - State General Apportionment Funding System

Criteria or Specific Requirement

California Code of Regulations, Title 5, Section 58003.1(b) states, "The governing board of each community college district shall, for each of its colleges or its district, select and establish a single primary term length for credit courses that are scheduled regularly with respect to the number of days of the week and the number of hours the course meets each week, inclusive of holidays."

Condition

The District incorrectly utilized a 17.5 term length multiplier (TLM) for alternative method daily credit courses utilizing the alternative attendance accounting census method. The District's approved TLM for the 2016-2017 year was 16.7. This was noted for both the P2 and Annual CCFS- 320 reports.

Questioned Costs

The District's P2 and Annual CCFS-320 reports were overstated by 35.94 credit FTES.

Context

The District reported 433.02 credit FTES for daily alternative attendance census based courses on the Annual CCFS-320 report.

Effect

Due to the incorrect TLM being utilized by the District for these courses, FTES were materially overstated. Of the 25 courses tested, the auditors calculated a 1.23 FTES overstatement. The District performed a 100 percent recalculation using the correct TLM and arrived at a total overstatement of 35.94 credit FTES.

Cause

During an upgrade of the District's Banner system, tables were changed to reflect a TLM of 17.5 for alternative daily attendance method courses.

Recommendation

It is recommended that the District review the methods used by their system for calculating and reporting FTES. In addition, it is recommended that the District amend their Annual CCFS-320 report to reflect the results of their internal recalculation. This amendment was electronically certified by the District on November 3, 2017.

2017-002 – Section 424 - State General Apportionment Funding System, continued

Management's Response and Corrective Action Plan

This error was already corrected before the submission of the 2016-2017 Apportionment Attendance Report for the Recalc Period and the affected FTES adjusted.

Current Status

Implemented

2017-003 – Section 475 - Disabled Student Programs and Services (DSPS)

Criteria or Specific Requirement

California Code of Regulations (CCR) Title 5, Section 56062 states, "A community college district will be deemed to have "provided academic adjustments, auxiliary aids, services and/or instruction" to a student with a disability, as required by Section 56060, if the student is enrolled in an educational assistance class or is enrolled in a general class and received one or more service contacts each semester the student attends."

Condition

Out of the 25 DSPS student files reviewed, 2 of the files did not contain evidence of a service contact for the 2016-2017 fiscal year.

Questioned Costs

Based on reports received by the District, a combined 1,631 students were served in the Fall 2016 and Spring 2017 semesters. Extrapolation of the error percentage noted in the audit results in that up to 130 claimed students may be unsupported with evidence of a service contact.

Context

The District reported a total of 1,631 students served in the Fall 2016 and Spring 2017 semesters. The District reported $908,173 in DSPS revenues for the 2016-2017 fiscal year.

Effect

The special funding for the DSPS program could be affected if program guidelines are not adhered to.

Cause

Student files are not being reviewed and updated on a regular basis to determine whether all necessary documentation is included within the student file.

Recommendation

The District should implement a control procedure for monitoring compliance issues related to this program to ensure that compliance requirements are met and proper contacts are being reported.

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Management's Response and Corrective Action Plan

Management agrees with this finding and has implemented various systems, controls, and procedures to strengthen the tracking and reporting of one or more service contacts received for each semester student with a disability attends. Additionally, we have examined all the student files to ensure their reporting accuracy and compliance with State DSPS regulations. From our examination, we have concluded that these two were isolated incidences and should not be viewed to represent the whole affairs and operation of the program.

Systems implemented include:

1) SARS (Schedule and Reporting System) with the SARS Grid representing a crucial tool for tracking services.

2) The DSPS Department also maintains a parallel student data base that is compared to the MIS report to resolve any discrepancies prior to filing the MIS report.

3) The DSPS Department has included in its annual program plan the need and request for "AIM-Accessible Information Management", a scheduling and database management software to facilitate DSPS service provision and improve MIS reporting systems.

Current Status

Implemented