

Performance Audit
Series A Bond Fund
Rio Hondo Community College District
July 1, 2007 through June 30, 2008
With Report of Independent Auditors

Rio Hondo Community College District
Series A Bond Fund
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Report of Independent Auditors

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

We have examined the Rio Hondo Community College District's compliance with the performance requirements for the Rio Hondo Community College District's General Obligation Bonds 2004 Election, Series A for the period July 1, 2007 through June 30, 2008, under the applicable provisions of Section 1(b)(3)(c) or Article 13A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the Rio Hondo Community College District's compliance with those requirements. Our responsibility is to express an opinion on the Rio Hondo Community College District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Rio Hondo Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide legal determination on Rio Hondo Community College District's compliance with specified requirements.

In our opinion, the Rio Hondo Community College District complied, in all material respects, with the aforementioned requirements during the period July 1, 2007 through June 30, 2008.

This report is intended solely for the information and use of the Board of Trustees, Citizens' Oversight Committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez + Company LLP

**Los Angeles, California
October 15, 2008**

OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Rio Hondo Community College District (the "District") General Obligation Bonds Series A Revenue Bond Project Fund (hereinafter referred to as the "Project Fund") established for the bonds and the net Bond proceeds deposited into the Project Fund.
- Determine whether all expenditures from July 1, 2007 through June 30, 2008, charged to the Project Fund, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure A on March 2, 2004 ("Bond Projects").
- Note any system weaknesses and provide recommendation for improvement.
- Provide the District's Board of Trustees and the Measure A Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39 (Prop 39).

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from July 1, 2007 to June 30, 2008. The expenditures tested included all objects and projects codes associated with the Bond Projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2008 were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

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

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

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

BACKGROUND INFORMATION (CONTINUED)

On September 26, 2006, refunding bonds were issued in the amount of \$47,117,244 to finance the advance refunding of a portion of the outstanding bonds. Portion of the proceeds are to be used in the same purpose specified in the bond proposition submitted at the election.

AUDIT PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary report and related details prepared by the District for the fiscal year ended June 30, 2008 for the Project Fund. We obtained the actual invoices and other supporting documentation for all expenditures tested to ensure compliance with Prop 39. Accordingly, we performed the following procedures:

- Reviewed Prop 39 provisions, Article 13A, Section 1(b)(3) of the California Constitution, Measure A bond literature and any other documents deemed necessary.
- Interviewed District staff and documented the internal controls and procedures established for the administration of Series A bond funds.
- Selected expenditures and reviewed documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the procurement requirements, as applicable.
- Reviewed sample of vendor invoices paid with Series A bond funds to ensure expenditures were properly authorized and processed according to established internal control procedures and recorded under an approved project.
- Compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- Verified that the funds were generally used for the construction, acquisition, furnishing and equipping of District facilities and not for salaries of school administrators or other operating expenses of the District.

RESULTS OF PROCEDURES

The District is obliged to put forward several projects for use with the bond funding. For the year ended June 30, 2008, the District incurred total expenditure of \$28,522,744 resulting to a cumulative expenditure of \$48,519,564 as of June 30, 2008. Please refer to Schedule 1 for the summary of project expenditures with the corresponding budget comparison.

Each project has been given a specific project identification number within the District's Building program.

RESULTS OF PROCEDURES (CONTINUED)

Program management costs have been incurred and shared by all projects. The following outlines the results of testing related to expenditures incurred for the year ended June 30, 2008.

Project 1 – Fire Fighter Training Facility in Santa Fe Springs

Current year expenditures were incurred for the design services, sewer repair, sprinkler and landscape. Expenditures appear appropriate to the project.

Project 2 – Police Training Facility for Rio Hondo Police Academy

Current year expenditures incurred relates to payment of architect fees. Expenditures appear appropriate to the project.

Project 5 – Student Services and Student Activities Building

Current year expenditures were incurred for the architect design services. Expenditures appear appropriate to the project.

Project 7 – Upgrade Campus Lighting and Alarm System

Current year expenditures were incurred for the purchase of emergency phone tower, administration building trenching and conduit and micro digital recorder for alarm system. Expenditures appear appropriate to the project.

Project 8 - Replace/Repair Building Components

Current year expenditures were incurred for various materials, repairs, painting, removal and disposal of asbestos on different campus structures. Expenditures appear appropriate to the project.

Project 9 – Campus-wide Efficiency Repairs

Expenditures were incurred for the installation of fire hydrant in various buildings. Expenditures appear appropriate to the project.

Project 10 – Campus Building Improvements

Current year expenditures incurred were related to payment of campus wide repairs and maintenance of various buildings. Expenditures appear appropriate to the project.

Project 11 – Information Technology Upgrade

Current year expenditures were incurred for implementation of MIS computer system and purchase and installation of new telephone system and power back-up project for offices all throughout the campus. Expenditures appear appropriate to the project.

Project 12 – Campus-wide Infrastructure

Current year expenditures were incurred for services of site survey and parking lot restriping and sidewalk additions. Expenditures appear appropriate to the project.

Project 13 – Campus Equipment and Furnishings

Expenditures were incurred for signage for Wray Theater and Arts building. Expenditures appear appropriate to the project.

RESULTS OF PROCEDURES (CONTINUED)

Project 14 – El Monte and South Whittier

Expenditures were incurred for the District's share in the conceptual development plan for the El Monte Center and the feasibility studies for the Star Center. Expenditures appear appropriate for the project.

Project 15 – Facilities Master Plan

An architect was retained to provide design services for the Facilities Master Plan. In addition, a Facilities and Planning Consultant was also retained for the project. Expenditures appear appropriate for the project.

Project 17 – Relocation/Acquisition of Temporary Facilities

This includes expenditures incurred for rental of mobile classes for Santa Fe Springs. Expenditures appear appropriate for the project.

Project 19 – Central Plant and Maintenance

This includes expenditures incurred for construction and construction management. Expenditures appear appropriate for the project.

Project 20 – Lot A Bridge

This includes expenditures incurred for building a pedestrian bridge connecting Lot A to the rest of the College. Expenditures appear appropriate for the project.

Project 21 – Landscape (1)

This includes expenditures incurred for planning and conceptual design of campus wide landscape. Expenditures appear appropriate for the project.

Project 22 – Seismic Retrofit (1)

This includes expenditures incurred for reinforcement of building panels of several campus buildings. Expenditures appear appropriate for the project.

Project 23 – Facilities Building/Garage/Fuel Tank

This includes expenditures incurred to remove and relocate garage and fuel tank of the facilities building in order to accommodate the central plant site. Expenditures appear appropriate for the project.

Project 24 – CRC-Bond Portion

This includes expenditures incurred for the cost of bond portion of construction management and OCIP programs. Expenditures appear appropriate for the project.

Project 25 – Applied Technology Remodel-Bond Portion

This includes expenditures incurred for tenant improvements and OCIP program. Expenditures appear appropriate for the project.

Project 26 – P.E. Complex – Bond Portion

This includes expenditures incurred for the design services. Expenditures appear appropriate for the project.

RESULTS OF PROCEDURES (CONTINUED)

Project Management

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

Consultants

This includes expenditures incurred for amounts paid to the project consultants for marketing, legal, labor administration and compliance. Expenditures appear appropriate for the project.

Other Expenditures (including Contingencies)

This includes expenditures that would benefit most of the projects and could not be allocated directly to any specific project. Expenditures appear appropriate for the project.

CONCLUSION

Based on the procedures performed, we determine that Rio Hondo Community College District has properly accounted for the expenditures of the Series A Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our examination does not provide a legal determination on Rio Hondo Community College District's compliance with those requirements.

**Rio Hondo Community College District
Series A Bond Fund
Schedule of Findings and Recommendations
Year ended June 30, 2008**

There were no findings and recommendations for the year ended June 30, 2008.

**Rio Hondo Community College District
Series A Bond Fund
Schedule 1 -- Summary of Project Expenditures**

Project	Budget	July 1, 2004 to		July 1, 2005 to		July 1, 2006 to		July 1, 2007 to		Cumulative Total
		June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008		
Project 1	\$ 8,300,000	\$ -	\$ 120,926	\$ -	\$ 116,440	\$ 1,188,751	\$ 1,426,117			
Project 2	21,900,000	16,000	64,290	263,035	652,854	996,179				
Project 3	-	-	-	-	-	-	-			
Project 4	2,500,000	-	-	-	-	-	-			
Project 5	26,400,000	-	-	293,432	623,654	917,086				
Project 7	-	-	-	-	-	-	-			
Project 8	-	-	-	-	-	-	-			
Project 9	5,000,000	95,714	372,027	231,276	512,476	1,211,493				
Project 10	15,000,000	1,787,757	1,743,668	398,731	4,674,777	8,604,933				
Project 11	33,800,000	159,889	1,442,806	990,046	7,028,249	9,620,990				
Project 12	4,000,000	41,599	17,919	90,195	150,622	150,622				
Project 13	6,400,000	-	-	114,090	138,273	252,363				
Project 14	17,000,000	326,101	326,240	167,689	218,841	1,038,871				
Project 15	2,500,000	-	-	285,288	285,288	285,288				
Project 16	5,000,000	-	290,434	297,812	90,640	678,886				
Project 17	2,000,000	-	27,507	54,014	-	81,521				
Project 18	16,500,000	-	-	169,398	-	6,753,139				
Project 19	1,500,000	-	-	81,547	-	104,249				
Project 20	6,000,000	32,130	69,330	59,258	113,805	274,523				
Project 21	4,700,000	-	57,585	269,988	232,501	560,074				
Project 22	1,500,000	-	-	414,788	1,082,589	1,497,357				
Project 23	4,600,000	-	28,225	124,000	1,035,534	1,187,759				
Project 24	2,500,000	-	-	1,535	457,447	458,982				
Project 25	6,500,000	-	4,686	3,553	301,459	309,698				
Project 26	6,800,000	-	-	-	-	-				
Project 27	11,415,000	1,514,017	1,542,279	2,337,560	1,941,124	7,335,000				
		516,953	950,829	957,595	1,358,811	3,784,188				
		246,930	417,804	61,905	263,607	990,246				
	\$ 248,500,000	\$ 4,737,090	\$ 7,476,555	\$ 7,783,175	\$ 28,522,744	\$ 48,519,564				

Rio Hondo Community College District
Series A Bond Fund
Schedule 2 – Summary of Other Expenditures
Year ended June 30, 2008

Legal services	\$	14,336
Audit fees		10,000
Contigencies		<u>239,271</u>
Total other expenditures	\$	<u>263,607</u>