

**Performance Audit  
Series A Bond Fund  
Rio Hondo Community College District  
July 1, 2006 through June 30, 2007  
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, 2006 through June 30, 2007, 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, 2006 through June 30, 2007.

This report is intended solely for the information and use of the Board of Trustee, 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 25, 2007

## 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, 2006 through June 30, 2007, 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 in March 2, 2004 ("Bond Projects")
- Note any system weaknesses and provide recommendation for improvement.
- Provide the District's Board of Trustee 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, 2006 to June 30, 2007. 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, 2007 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 was 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, 2007 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 document 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, 2007, the District incurred total costs of \$7,783,175 resulting to a cumulative cost of \$19,996,820 as of June 30, 2007. 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 Project Fund. However, budgets for each project are not included in the financial reporting system and actual expenditures are not matched against this budget.

## RESULTS OF PROCEDURES (CONTINUED)

Construction management costs have been incurred and shared by all projects. Projects with insignificant expenditures and projects with no activity during the audit period were not included. The following outlines results of testing related to material expenditures incurred for the year ended June 30, 2007.

### **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 5 – Student Services and Student Activities Building**

Current year expenditures were incurred for the cost estimate services. Expenditures appear appropriate to the project.

### **Project 7 – Upgrade Campus Lighting and Alarm System**

Current year expenditures were incurred for the purchase of lighting control/circuit breaker and payment for security consultation. Expenditures appear appropriate to the project.

### **Project 8 - Replace/Repair Building Components**

Current year expenditures were incurred for various materials and repair costs done on different campus structures. Expenditures appear appropriate to the project.

### **Project 9 – Campus-wide Efficiency Repairs**

Expenditures were incurred for the repairs of science building, maintenance facility, central plant. Expenditures appear appropriate to the project.

### **Project 10 – Campus Building Improvements**

Current year expenditures were incurred related to payment of architect fees, surveyors, construction management and technical advisors for various campus buildings. Expenditures appear appropriate to the project.

### **Project 11 – Information Technology Upgrade**

Current year expenditures were incurred for 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 architectural design services and infrastructure design of the South Access Road and the disable access, stairs and ramps. Also includes the payment for "Go Rio" pass stamps for eligible Rio Hondo students. Expenditures appear appropriate to the project.

### **Project 13 – Campus Equipment and Furnishings**

Expenditures were incurred for purchase of message boards and various exterior furniture throughout the campus. Expenditures appear appropriate to the project.

## RESULTS OF PROCEDURES (CONTINUED)

### **Project 14 – Sites for Services to 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 16 – Demolition of Obsolete Facilities**

This includes expenditures incurred relative to demolition of Putnam Building. Expenditures appear appropriate for the project.

### **Project 17 – Relocation/Acquisition of Temporary Facilities**

This includes expenditures incurred for building connection panels. Expenditures appear appropriate for the project.

### **General Expenses**

This includes expenditures that would benefit most of the projects and could not be allocated directly to any specific project. Significant expenditures were incurred in the following:

- Project Management Team – expenditures incurred for amounts paid to the project management firm for services rendered in overseeing the entire project of the District related to the Bond. It also includes purchase of equipment, supplies, computers and softwares used by the team.
- Legal Fees – expenditures incurred for legal professional fees mostly related to contracts and issues related to the bond projects.

The above expenditures appear appropriate for use with bond funds. However, the District should consider allocating these costs to the various projects. The District can perform this by using any reasonable allocation method which includes percentage of total expenditures.

## CONCLUSION

Based upon the procedures we performed, we found that for the items tested, the 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, 2007**

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There were no findings and recommendations for the year ended June 30, 2007.

**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		Cumulative Total
		June 30, 2005	June 30, 2006	June 30, 2006	June 30, 2007			
Project 1	\$ 7,400,000	\$ -	\$ 120,926	\$ 116,440	\$ 237,366			
Project 2	15,800,000	-	-	-	-			
Project 3	-	-	-	-	-			
Project 4	1,500,000	-	-	-	-			
Project 5	16,200,000	-	-	-	-			
Project 7	} 24,700,000	5,897	2,055	9,800	9,800			
Project 8		41,750	179,934	11,205	19,157			
Project 9		34,007	1,229,337	281,571	503,255			
Project 10	10,600,000	340,270	1,044,427	507,748	1,771,092			
Project 11	13,600,000	1,815,982	1,859,875	1,954,330	3,339,027			
Project 12	38,300,000	192,019	308,383	448,270	4,124,127			
Project 13	2,300,000	41,599	17,920	617,961	1,118,363			
Project 14	6,400,000	-	-	90,194	149,713			
Project 15	*	326,100	628,947	114,090	114,090			
Project 16	1,500,000	-	-	777,629	1,732,676			
Project 17	3,500,000	-	291,459	285,288	285,288			
General expenditures (including contingencies)	37,000,000	1,939,466	1,793,292	2,271,863	588,245			
	<b>\$ 178,800,000</b>	<b>\$ 4,737,090</b>	<b>\$ 7,476,555</b>	<b>\$ 7,783,175</b>	<b>\$ 19,996,820</b>			

\* Included in the budget of Project 10.

\*\* Please refer to Schedule 2 for the details.

Rio Hondo Community College District  
Series A Bond Fund  
Schedule 2 – Summary of General Expenditures  
Year ended June 30, 2007

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Project management team		
Personnel services	\$	2,084,687
Office equipment and supplies		73,687
Software and hardware		<u>13,830</u>
<b>Total project management team</b>		<b>2,172,204</b>
Legal services		85,718
Audit fees		10,000
Bond cost of issuance		<u>3,941</u>
<b>Total general expenditures</b>	<b>\$</b>	<b><u><u>2,271,863</u></u></b>