

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
Gilroy, California

FINANCIAL STATEMENTS
June 30, 2013

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

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GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Gavilan Joint Community College District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Gavilan Joint Community College 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 fiduciary activities, of Gavilan Joint Community College District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 9 and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 37 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gavilan Joint Community College District's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 on our consideration of Gavilan Joint Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Gavilan Joint Community College District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Sacramento, California
December 20, 2013

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 Gavilan Joint Community College District (the District) as of June 30, 2013. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses and Change 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, 2013. 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

Gavilan Joint Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements (GASB) Codification Section (Cod. Sec.) 2200.101, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and Cod. Sec. 2200.190-191, 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 Change in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and non-operating, 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 System's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.



Board of Trustees:

Tom Breen, Esq.

Laura A. Perry, Esq.

Kent Child

Tony Ruiz

A.J. Rodriguez, Student Trustee

Walt Glines

Jonathan Brusco

Mark Dover

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The fiscal year ending June 30, 2013, provided the District with the opportunity to reallocate and reduce resources through employee attrition to reduce a large part of the structural imbalance that occurred when the state suddenly reduced funding in the last month of the fiscal year. The reduction in revenues was offset by use of cash flows from the Retired Employee Health Benefit Fund Trust for prior service costs under the post employment benefit funds. Over the year with resources allocated to make a number of improvements in achieving the goals of the Strategic Plan and the Educational Master Plan had an impact on operations with the college making progress on all of its strategic initiatives. The Board of Trustees, faculty, managers and professional support staff of the District have outlined primary values through a strategic planning update process. The product of this process is the updated five-year Strategic Plan 2012/13 – 2016/17. The District uses an integrated planning and funding that includes all planning campus and District wide efforts. Individual plans feed requests into the resource process with items identified as strategic priorities receiving first dollar allocations.

Consistent allocation of financial resources to strategic plan initiatives has resulted in improved learning and working environment at the District. The schedules of classes at all sites are arranged so that students are able to further their goals by access to a wide range of courses at the sites. While important, these satellite operations still need to be enhanced if the college is going to adequately meet the needs for educational services in the communities of San Benito County and Morgan Hill/Greater Coyote Valley.

In response to current and possible continued state budget issues, the District has repositioned itself to a smaller but adequately supported program. This matches program costs with available resources. This also offers the District the opportunity to manage program growth efficiently as additional resources are available. Prior to issuance of this MD & A, the voters of California approved Proposition 30 that provides a \$0.25 increase in the state sales tax effective January 1, 2013 and higher tax rates for the highest wealth citizens of California. Increases in State revenue will provide much needed relief in the form of a new source of funds for education. Much to the surprise of many, Proposition 30 did not increase revenue for state public education so far. Proposition 30 funds are an offset the state apportionment funds. The effect is that the state has the ability to use Proposition 30 money to reduce what the state would otherwise pay. The upside of Proposition 30 is that education funding was not further reduced as Proposition 30 funds offset most of the deficit that existed in the state budget when that initiative was passed.

The District has been concentrating on achieving maximum Full Time Equivalent Students (FTES) to obtain and earned growth revenue funds when available. In FY 11-12, the District had a workload reduction via reduced funding for total FTES. The change occurred just a month before the end of the year and resulted in a permanent reduction of on-going revenue of \$1.8 million. This state-imposed workload reduction was caused by the economic situation of the state. In addition to the workload reduction of \$1.8 million, the District also experienced a one-time deficit coefficient of \$600,000 for a total reduction of \$2.4 million for that fiscal year. The District absorbed this \$2.4 million deficit using its reserves. At the end of the FY 11-12 the college had 170 unfunded FTES and 100 unfunded FTES in FY 12-13. The College also narrowed the difference between on-going revenues and expenditures leaving a manageable structural deficit mostly addressed in the follow-on fiscal year.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$16.4 million and \$16.7 million for the fiscal years ended June 30, 2013 and June 30, 2012, respectively. Of this amount, \$0.2 million and \$0.7 million were unrestricted as of June 30, 2013 and 2012, respectively. Restricted net position is reported separately to show legal constraints from debt

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2013

covenants and enabling legislation that limit the District Board’s ability to use those net assets for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District’s governmental activities.

Noted in the current year is an increase in net assets resulting from completion of investments via renovation and acquisition of capital assets used to provide educational services and instruction and an increase in cash and other assets caused by timing differences between state allocations and actual payment of those allocations by the state. The college had to use Tax Revenue Anticipation Notes during the year in order to provide cash flows for operating costs. The state has delayed payments to the colleges which in turn created a cash shortage at the College. Cash was conserved over the months with liabilities rising as cash was accumulated for high priority payment requirements.

Table 1

**GAVALIN JOINT CCD
Net Position**

(Amounts in thousands)	Governmental Activities as of June 30 for the Fiscal Year		
	2013	2012	Change
Current and other assets	\$ 42,716	\$ 42,319	\$ 397
Capital assets	85,497	85,412	85
Total Assets	128,213	127,731	482
Current liabilities	11,382	9,410	1,972
Long-term obligations	100,435	101,640	(1,205)
Total Liabilities	111,817	111,050	767
Net position			
Net investment in capital assets	11,610	11,014	596
Restricted	4,559	5,015	(456)
Unrestricted	227	652	(425)
Total Net Position	\$ 16,396	\$ 16,681	\$ (285)

Change in Net Position

The results of this year’s operations for the District as a whole are reported in the *Statement of Revenues, Expenses and Change in Net Position*. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Student Financial Aid declined as a result of the drop in enrollment that started in FY 11-12 will full effect showing up in FY 12-13. None of the other changes are noteworthy other than to indicate that the decline in enrollment resulted in other declines as funds we no longer available to pay the same level of previous expenditures supported by the higher FTES level.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Table 2

**GAVALIN JOINT CCD
Change in Net Position**

(Amounts in thousands)

	Governmental Activities for the Fiscal Year		
	2013	2012	Change
Revenues			
Operating revenues:			
Tuition and fees	\$ 2,383	\$ 2,004	\$ 379
Non-operating revenues:			
State apportionment	9,503	10,811	(1,308)
Grants and contracts - Federal	10,136	11,436	(1,300)
Grants and contracts - State and local	4,296	4,668	(372)
Property taxes	20,949	18,053	2,896
State taxes and other revenue	151	152	(1)
Other revenues	2,482	2,498	(16)
Total Revenues	49,900	49,622	278
Expenses			
Salaries	20,991	20,999	(8)
Employee benefits	7,903	7,681	222
Supplies, materials and other operating expenses and services	7,086	6,527	559
Student Aid	7,432	9,435	(2,003)
Depreciation	1,932	1,996	(64)
Other non-operating expenses	4,840	4,922	(82)
Total Expenses	50,184	51,560	(1,376)
Change in Net Position	\$ (284)	\$ (1,938)	\$ (1,654)

Governmental Activities

As reported in the *Statement of Revenues, Expenses and Change in Net Position*, the cost of all of our governmental activities this year was \$50 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$21 million because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with other revenues, including interest and general entitlements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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 was adopted in September 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$85.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$15 thousand from last year, predominately due to ongoing Measure E projects.

Table 3

GAVALIN JOINT CCD Capital Assets at Year-end

(Amounts in thousands)

	Fixed Assets for the Fiscal Year		
	2013	2012	Change
Land	\$ 28,036	\$ 27,998	\$ 38
Work in Progress	1,219	235	984
Land Improvements	899	876	23
Building and Improvements	70,280	69,857	423
Equipment and vehicles	6,171	5,622	549
Total	106,605	104,588	2,017
Less Accumulated Depreciation	(21,108)	(19,176)	(1,932)
Net Total	\$ 85,497	\$ 85,412	\$ 85

The District is in the construction phase for bond renovation projects. A few capital projects are planned to continue through the 2014-15 year and beyond.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Long-Term Obligations

At the end of this year, the District had \$102 million in long-term obligations outstanding. The long-term obligations consisted of:

Table 4

GAVALIN JOINT CCD Outstanding Debt at Year-end

(Amounts in thousands)

	Long-Term Obligations for the Fiscal Year		
	2013	2012	Changes
General obligation bonds	\$ 101,415	\$ 102,690	\$ (1,275)
Premium	2,616	2,878	(262)
Deferred amount on refunding	(2,530)	(2,648)	118
Compensated absences	626	624	2
Total	\$ 102,127	\$ 103,544	\$ (1,417)

We present more detailed information regarding our long-term liabilities in the Notes to the Basic Financial Statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-13 ARE NOTED BELOW:

Balancing the structural difference between expenditures and revenues continued as a high priority throughout the year. The structural shortage has been narrowed substantially with a structurally balanced budget expected in FY 13-14 or FY 14-15 at the latest.

On March 2, 2004, the electorate within the District's geographic boundaries approved a general obligation bond known as Measure E. The value of the Bond is for 108 million dollars. The bond proceeds are being utilized by the District to plan, design and construct a number of projects, primarily in the areas of infrastructure development and upgrades along with modernization of existing District facilities including technology upgrades. A few projects remain with delays caused by the extraordinarily long term period that is required in order to obtain all environmental clearances. Those clearances are expected in FY 13-14 with construction beginning on the remaining projects as soon as practical.

Other accomplishments included finalizing agreements with the Gavilan College Faculty Association (GCFA) and with the California School Employee Association (CSEA). In spite of a tight budget year, the District was able to continue to fund employee health benefit packages along with step/column increases.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-14 year, the District Board and management used the following criteria for estimating unrestricted general fund revenues:

The State's economy continued to improve in Budget Year 13/14. As the state releases funds that have exceeded initial projections, the colleges across the state can expect slight increases. At Gavilan College there was an overall increase in unrestricted general fund revenue of 3.1% for the FY 13/14 year. Additional increases in matriculation (now Student Success Initiative) and funding for programs that provide services to students who meet certain eligibility criteria have helped reduce the pressure on the unrestricted general fund as those resources were restored as the economy improved. For FY 14/15 and beyond additional increases in revenues is a given. The State's economy is yielding revenues considerably larger than what was anticipated when the FY 13/14 budget was prepared. Revenues in excess of previous projections in the FY 13/14 State Budget and beyond show considerable improvement from current funding levels. Those funds will eventually work their way down to the California community colleges. In short, the economy is strong and is generating large increases in revenues in excess of planned amounts. The challenge now is for colleges to be allocated the surplus funds in a manner that allows planning process generated action plans to be implemented.

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, contact the Director of Business Services, at Gavilan Joint Community College District, 5055 Santa Teresa Blvd, Gilroy, California, 95020, or e-mail at scheu@gavilan.edu.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 4,892,478
Receivables, net (Note 3)	5,179,267
Prepaid expenses	<u>418,143</u>
Total current assets	<u>10,489,888</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	31,090,667
Net OPEB asset (Note 10)	1,135,686
Depreciable capital assets, net (Note 4)	56,240,956
Non-depreciable capital assets (Note 4)	<u>29,255,739</u>
Total noncurrent assets	<u>117,723,048</u>
Total assets	<u>\$ 128,212,936</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 1,677,962
Accrued payroll	1,022,066
Accrued interest payable	2,415,469
Unearned revenue (Note 5)	1,573,839
Compensated absences (Note 7)	626,262
Tax and revenue anticipation notes payable (Note 6)	3,000,000
Long-term liabilities - current portion (Note 7)	<u>1,066,447</u>
Total current liabilities	<u>11,382,045</u>
Noncurrent liabilities:	
Long-term liabilities - noncurrent portion (Note 7)	<u>100,434,576</u>
Total liabilities	<u>111,816,621</u>
Contingencies (Note 11)	

NET POSITION

Net investment in capital assets	11,610,366
Restricted for:	
Debt service	3,356,295
Capital projects	54,930
Educational programs	12,499
Other special purposes	1,135,686
Unrestricted	<u>226,539</u>
Total net position	<u>16,396,315</u>
Total liabilities and net position	<u>\$ 128,212,936</u>

See accompanying notes to financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2013

Operating revenues:	
Tuition and fees	\$ 4,141,559
Less: scholarship discounts and allowances	<u>(1,758,150)</u>
Net tuition and fees	<u>2,383,409</u>
Grants and contracts, non-capital:	
Federal	4,167,530
State	3,376,397
Local	<u>920,073</u>
Total operating revenues	<u>10,847,409</u>
Operating expenses (Note 13):	
Salaries	20,990,522
Employee benefits (Notes 9 and 10)	7,903,150
Supplies, materials, and other operating expenses and services	7,086,310
Student aid	7,432,289
Depreciation (Note 4)	<u>1,931,989</u>
Total operating expenses	<u>45,344,260</u>
Loss from operations	<u>(34,496,851)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	9,011,513
Local property taxes (Note 8)	15,211,371
State taxes and other revenues	150,875
Pell grants	5,968,633
Investment income, noncapital	241,796
Interest expense on capital asset-related debt, net	(4,840,354)
Other non-operating revenues	<u>2,239,569</u>
Total non-operating revenues (expenses)	<u>27,983,403</u>
Loss before capital revenues	<u>(6,513,448)</u>
Capital revenues:	
State apportionment	491,609
Local property taxes and revenues (Note 8)	<u>5,737,514</u>
Total capital revenues	<u>6,229,123</u>
Change in net position	(284,325)
Net position, July 1, 2012	<u>16,680,640</u>
Net position, June 30, 2013	<u><u>\$ 16,396,315</u></u>

See accompanying notes to financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Tuition and fees	\$ 2,496,270
Federal grants and contracts	3,980,864
State grants and contracts	2,674,614
Local grants and contracts	886,149
Payments to suppliers	(6,653,677)
Payments to employees	(21,378,554)
Payments for benefits	(7,583,957)
Payments to students	<u>(7,292,863)</u>
Net cash used in operating activities	<u>(32,871,154)</u>
Cash flows from noncapital financing activities:	
State appropriations	11,243,725
Local property taxes	15,211,371
State taxes and other apportionments	150,875
Pell grants	5,968,633
Tax and revenue anticipation notes	3,000,000
Other non-operating receipts	4,283,224
Other non-operating expenses	<u>(1,454,284)</u>
Net cash provided by noncapital financing activities	<u>38,403,544</u>
Cash flows from capital and related financing activities:	
State apportionment for capital purposes	491,609
Local property taxes and other revenues for capital purposes	5,737,514
Purchase of capital assets	(2,017,107)
Premium and issuance costs on debt issuance, net	(64,711)
Principal paid on capital debt	(1,275,000)
Interest paid on capital debt, net	<u>(4,546,785)</u>
Net cash used in capital and related financing activities	<u>(1,674,480)</u>
Cash flows provided by investing activities:	
Interest income on investments	<u>241,796</u>
Net increase in cash and cash equivalents	4,099,706
Cash and cash equivalents, July 1, 2012	<u>31,883,439</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 35,983,145</u>

(Continued)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2013

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (34,496,851)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	1,931,989
Changes in assets and liabilities:	
Receivables, net	(973,341)
Prepaid expenses	321,377
Accounts payable	427,172
Unearned revenue	306,532
Accrued payroll	(390,581)
Compensated absences	<u>2,549</u>
Net cash used in operating activities	<u>\$ (32,871,154)</u>

See accompanying notes to financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Associated Students Trust Fund	OPEB Irrevocable Trust Fund	Student Center Agency Fund
ASSETS			
Cash, cash equivalents and investments (Note 2)	\$ 419,402	\$ -	\$ 13,006
Restricted cash, cash equivalents and investments (Note 2)	-	4,990,031	-
Receivables	9,043	309,504	16
Due from other funds	<u>-</u>	<u>-</u>	<u>7,776</u>
Total assets	<u><u>\$ 428,445</u></u>	<u><u>\$ 5,299,535</u></u>	<u><u>\$ 20,798</u></u>
LIABILITIES			
Accounts payable	\$ 6,163	\$ -	\$ 1,740
Amounts held in trust for others	<u>-</u>	<u>-</u>	<u>19,058</u>
Total liabilities	<u><u>6,163</u></u>	<u><u>-</u></u>	<u><u>20,798</u></u>
NET POSITION			
Net position held in trust	422,282	-	-
Net position held in trust for other postemployment benefits	<u>-</u>	<u>5,299,535</u>	<u>-</u>
Total liabilities and net position	<u><u>\$ 428,445</u></u>	<u><u>\$ 5,299,535</u></u>	<u><u>\$ 20,798</u></u>

See accompanying notes to financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2013

	Associated Students Trust Fund	OPEB Irrevocable Trust Fund
Additions:		
Unrealized and realized gains, net	\$ -	\$ 978,995
Employer contributions	-	309,504
ASB fees and sales	79,996	-
Donations and fundraising	91,286	-
Other local receipts	<u>13,432</u>	<u>-</u>
Total additions	<u>184,714</u>	<u>1,288,499</u>
Deductions:		
Supplies and services	73,776	-
Operating expenses	39,306	1,795,773
Capital outlay	15,129	-
Scholarships	<u>22,676</u>	<u>-</u>
Total deductions	<u>150,887</u>	<u>1,795,773</u>
Change in net position	33,827	(507,274)
Net position held in trust:		
Net position, July 1, 2012	<u>388,455</u>	<u>5,806,809</u>
Net position, June 30, 2013	<u>\$ 422,282</u>	<u>\$ 5,299,535</u>

See accompanying notes to financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Gavilan Joint Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115 and is therefore exempt from federal taxes.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) and GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

Under the accrual basis, the District records revenue when earned and expenses when a liability is incurred regardless of the timing of the related cash flows. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Santa Clara County Treasury are considered cash equivalents and are stated at fair value.

Restricted Cash, Cash Equivalents and Investments

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as non current assets in the statement of net position.

Receivables

Receivables 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. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at \$139,082 for the year ended June 30, 2013.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. For equipment, the District's capitalization policy included all items with a unit cost of \$5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 50 years for buildings, 20 to 50 years for building improvements, 5 to 20 years for equipment, and 5 to 10 years for vehicles.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest capitalized totaled \$28,957 during the year ended June 30, 2013.

Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

Unearned Revenue

Revenues from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as deferred revenue until earned.

Net Position

The District's net position is classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District has no nonexpendable net position.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources. This practice ensures fully utilizing restricted funding each fiscal year.

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to a recalculation will be recorded in the year computed by the state. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Payments

GASB Cod. Sec. 2300.120 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of \$569,702 (5.041% of salaries subject to CalSTRS).

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations.

Nonoperating revenues and expenses: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources and uses described in GASB Cod. Sec. 2200.190-.191, such as State appropriations, property taxes, investment income, and interest expense.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants and other federal, state and nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation, the District's 2014 beginning net position will be restated by approximately \$1,312,000 because bond issuance costs are no longer capitalized.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments at June 30, 2013, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Fund:		
Cash in County Treasury	\$ 5,018,793	\$ 13,006
Deposits and investments:		
Cash on hand and in banks	27,560	419,402
Funds with Fiscal Agents	30,936,792	-
Trust Investments	<u>-</u>	<u>4,990,031</u>
Total cash, cash equivalents, and investments	<u>35,983,145</u>	<u>5,422,439</u>
Less: restricted cash, cash equivalents, and investments:		
Funds with Fiscal Agents	30,936,792	-
Trust Investments	-	4,990,031
Other restricted	<u>153,875</u>	<u>-</u>
Total restricted cash, cash equivalents, and investments	<u>31,090,667</u>	<u>4,990,031</u>
Net cash, cash equivalents, and investments	<u><u>\$ 4,892,478</u></u>	<u><u>\$ 432,408</u></u>

Deposits

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's cash on hand and in banks for the primary governmental entity was \$27,560 and the bank balance was \$182,060 all of which was insured by the FDIC. Cash on hand and in banks for the fiduciary funds had a carrying amount and a bank balance of \$428,116 of which \$427,145 was insured by the FDIC.

Cash in County Treasury

As provided for in Education Code, Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Cash in County Treasury (Continued)

In accordance with applicable State laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2013, the Santa Clara County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by the financial institutions is entirely insured or collateralized.

Cash with Fiscal Agent

Cash with Fiscal Agent represents amounts held by a third party custodian in the District's name for future capital projects and the repayment of long-term liabilities.

Trust Investments

Trust Investments represent amounts held by a third party investee in an irrevocable trust in the District's name to fund its obligation for other postemployment benefits and may be invested in accordance with California Government Code Sections 53600 through 53622. Trust investments are stated at fair value and have a maturity of 12 months or less that consist of unrated mutual funds in a portfolio equally balanced for equity and fixed income securities.

Credit Risk

The table below identifies the investment types authorized for the District by the California Government Code Section 53601 and 53602. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentrations of credit risk.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND CASH EQUIVALENTS (Continued)

Credit Risk (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds or Notes	5 years	None	None
Registered State Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25% - 40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money-Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Bank / Time Deposits	5 years	None	None
Mortgage Pass through Securities	5 years	20%	None
Joint Power Authority Pools	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

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's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. RECEIVABLES

Receivables at June 30, 2013 are summarized as follows:

Federal	\$ 895,624
State	3,163,706
Local and other	<u>1,259,019</u>
	5,318,349
 Less allowance for doubtful accounts	 <u>(139,082)</u>
	 <u><u>\$ 5,179,267</u></u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2012	Additions	Deductions	Transfers	Balance June 30, 2013
Non-depreciable:					
Land	\$ 27,997,897	\$ 38,480	\$ -	\$ -	\$ 28,036,377
Construction in progress	234,496	1,069,401	-	(84,535)	1,219,362
Depreciable:					
Land improvements	876,349	22,663	-	-	899,012
Buildings and building improvements	69,857,418	338,097	-	84,535	70,280,050
Furniture and equipment	5,356,164	543,444	-	-	5,899,608
Vehicles	<u>265,431</u>	<u>5,022</u>	<u>-</u>	<u>-</u>	<u>270,453</u>
Total	<u>104,587,755</u>	<u>2,017,107</u>	<u>-</u>	<u>-</u>	<u>106,604,862</u>
Less accumulated depreciation:					
Land improvements	(671,996)	(17,620)	-	-	(689,616)
Buildings and building improvements	(14,309,582)	(1,458,276)	-	-	(15,767,858)
Furniture and equipment	(3,956,905)	(445,281)	-	-	(4,402,186)
Vehicles	<u>(237,695)</u>	<u>(10,812)</u>	<u>-</u>	<u>-</u>	<u>(248,507)</u>
Total	<u>(19,176,178)</u>	<u>(1,931,989)</u>	<u>-</u>	<u>-</u>	<u>(21,108,167)</u>
Capital assets, net	<u>\$ 85,411,577</u>	<u>\$ 85,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,496,695</u>

5. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 180,017
Unearned local revenue	261,170
Unearned tuition and other student fees	<u>1,132,652</u>
 Total unearned revenue	 <u><u>\$ 1,573,839</u></u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax Revenue Anticipation Notes (TRANS) are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANS activity for the year ended June 30, 2013 is as follows:

	Outstanding July 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding June 30, <u>2013</u>
Series 2013 - 2.5% Tax Revenue Anticipation Note due January 31, 2014	\$ <u>-</u>	\$ <u>3,000,000</u>	\$ <u>-</u>	\$ <u>3,000,000</u>

7. LONG-TERM LIABILITIES

General Obligation Bonds

In June 2004, the District issued \$29,170,000 of General Obligation Bonds 2004 Series A. The Bonds were issued to finance the construction and modernization of District facilities and to refund certain lease obligations. In March 2012, the District refunded \$22,770,000 of the 2004 Series A General Obligation Bonds through the issuance of the 2012 Series A and Series B General Obligation Refunding Bonds. The remaining unfunded 2004 Series A General Obligation Bonds mature through August 2028 and bear interest at rates ranging from 2.00% to 5.38%.

Net bond premium of \$124,323 (net of accumulated amortization) was capitalized and is amortized over the term of the Bond.

The following is the schedule of future payments for the remaining 2004 Series A General Obligation Bonds:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 500,000	\$ 67,206	\$ 567,206
2015	590,000	45,406	635,406
2016	20,000	33,181	53,181
2017	20,000	32,319	52,319
2018	25,000	31,319	56,319
2019-2023	180,000	132,152	312,152
2024-2028	310,000	69,038	379,038
2029	<u>85,000</u>	<u>2,338</u>	<u>87,338</u>
	<u>\$ 1,730,000</u>	<u>\$ 412,959</u>	<u>\$ 2,142,959</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In December 2007, the District issued \$50,000,000 of General Obligation Bonds 2004 Series C. The Bonds were issued to finance the construction and modernization of District facilities, to finance the acquisition of equipment and to pay the costs of issuance associated with the Bonds. The Bonds mature through August 2032 and bear interest at rates ranging from 4.00% to 5.00%.

Net bond premium of \$68,644 (net of accumulated amortization) was capitalized and is amortized over the term of the Bond.

The following is a schedule of the future payments for the 2004 Series C General Obligation Bonds:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 385,000	\$ 2,254,144	\$ 2,639,144
2015	470,000	2,237,044	2,707,044
2016	560,000	2,216,444	2,776,444
2017	660,000	2,192,044	2,852,044
2018	765,000	2,163,544	2,928,544
2019-2023	5,715,000	10,163,045	15,878,045
2024-2028	9,725,000	8,341,592	18,066,592
2029-2032	<u>30,045,000</u>	<u>4,115,757</u>	<u>34,160,757</u>
	<u>\$ 48,325,000</u>	<u>\$ 33,683,614</u>	<u>\$ 82,008,614</u>

In May 2011, the District issued \$28,000,000 of General Obligation Bonds 2004 Series D. The Bonds were issued to finance the construction and modernization of District facilities, to finance the acquisition of equipment and to pay the costs of issuance associated with the Bonds. The Bonds mature through August 2035 and bear interest at rates ranging from 2.00% to 5.75%.

Net bond premium of \$643,867 (net of accumulated amortization) was capitalized and is amortized over the term of the Bond.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The following is a schedule of the future payments for the 2004 Series D General Obligation Bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 1,541,175	\$ 1,541,175
2015	10,000	1,541,025	1,551,025
2016	50,000	1,540,125	1,590,125
2017	85,000	1,537,675	1,622,675
2018	125,000	1,533,475	1,658,475
2019-2023	1,295,000	7,544,775	8,839,775
2024-2028	2,735,000	7,086,775	9,821,775
2029-2033	4,805,000	6,085,813	10,890,813
2034-2036	<u>18,640,000</u>	<u>1,647,663</u>	<u>20,287,663</u>
	<u>\$ 27,745,000</u>	<u>\$ 30,058,501</u>	<u>\$ 57,803,501</u>

In April 2012, the District issued \$12,120,000 of General Obligation Refunding Bonds 2012 Series A and \$11,800,000 of General Obligation Refunding Bonds 2012 Series B. The Bonds were issued to partially refund the General Obligations Bonds 2004 Series A and to pay the costs of issuance associated with the Bonds. The 2012 Series A and Series B Refunding Bonds mature through August 2024 and August 2029, respectively, and bear interest at rates ranging from 2.00% to 5.00%.

Net bond premium of \$1,601,617 was capitalized and will be amortized over the term of the Bond.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,647,936. The difference, reported as a deduction from bonds payable, is charged to operations through June 30, 2027 using the effective-interest method. The District is amortizing the deferred amount on refunding over a period of 12 years.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The following is a schedule of the future payments for the 2012 Series A General Obligation Refunding Bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 523,950	\$ 523,950
2015	20,000	523,950	543,950
2016	690,000	523,950	1,213,950
2017	605,000	509,750	1,114,750
2018	875,000	497,650	1,372,650
2019-2023	6,200,000	1,894,150	8,094,150
2024-2028	<u>3,590,000</u>	<u>272,750</u>	<u>3,862,750</u>
	<u>\$ 11,980,000</u>	<u>\$ 4,746,150</u>	<u>\$ 16,726,150</u>

The following is a schedule of the future payments for the 2012 Series B General Obligation Refunding Bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 120,000	\$ 392,950	\$ 512,950
2015	100,000	390,550	490,550
2016	100,000	388,550	488,550
2017	280,000	386,550	666,550
2018	105,000	380,950	485,950
2019-2023	545,000	1,866,750	2,411,750
2024-2028	7,545,000	1,556,988	9,101,988
2029-2031	<u>2,840,000</u>	<u>102,950</u>	<u>2,942,950</u>
	<u>\$ 11,635,000</u>	<u>\$ 5,466,238</u>	<u>\$ 17,101,238</u>

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds	\$ 102,690,000	\$ -	\$ (1,275,000)	\$ 101,415,000	\$ 1,005,000
Premiums	2,877,708	-	(261,417)	2,616,291	185,652
Deferred Amount on Refunding	(2,647,936)	-	117,668	(2,530,268)	(124,205)
Compensated absences	623,713	2,549	-	626,262	626,262
	<u>\$ 103,543,485</u>	<u>\$ 2,549</u>	<u>\$ (1,418,749)</u>	<u>\$ 102,127,285</u>	<u>\$ 1,692,709</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The Santa Clara and San Benito Counties each bill and collect taxes for the District. Tax revenues are recognized by the District when received. The District is considered an "excess tax school entity" pursuant to Revenue and Tax Code 95.1 and, accordingly, has deferred recognition of the Education Revenue Augmentation Fund tax payments received in excess of the District's estimated allocation until a final allocation is determined by the County.

9. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, postretirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. Disability benefits of up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active members of the DB Plan are required to contribute 8.0% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2011, 2012 and 2013 were \$914,469, \$924,498 and \$932,362, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

California Public Employees' Retirement System (CalPERS)

Plan Descriptions

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$814,143, \$855,271 and \$878,835, respectively, and equaled 100 percent of the required contributions for each year.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

The Gavilan Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, vision and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 83 retirees currently receiving benefits and approximately 183 active plan members.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB asset:

Annual required contribution	\$ 576,899
Interest on net OPEB asset	(72,580)
Adjustment to annual required contribution	<u>121,101</u>
Annual OPEB cost	625,420
Contributions made	<u>(309,504)</u>
Change in net OPEB asset	315,916
Net OPEB asset - beginning of year	<u>(1,451,602)</u>
Net OPEB asset - end of year	<u><u>\$ (1,135,686)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2011	\$ 530,210	167.3%	\$ (1,021,608)
June 30, 2012	\$ 487,027	188.3%	\$ (1,451,602)
June 30, 2013	\$ 625,420	49.5%	\$ (1,135,686)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of July 1, 2011, the most recent actuarial valuation date, the plan was 77 percent funded. The actuarial accrued liability for benefits was \$8,643,029, and the actuarial value of assets was \$6,669,900, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,973,129. For the year ended June 30, 2013, covered payroll (annual payroll of active employees covered by the Plan) was \$14,993,127, and the ratio of the UAAL to the covered payroll was 13 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included as Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate ranging from 5 of 7 percent. The actuarial value of assets was determined using a market value basis. The UAAL is being amortized on a level-dollar method on a closed basis. The remaining amortization period at June 30, 2013, was 25 years.

11. CONTINGENCIES

Contingent Liabilities

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. CONTINGENCIES (Continued)

Contingent Liabilities (Continued)

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

12. JOINT POWERS AGREEMENTS

Gavilan Joint Community College District participates in public entity risk pool joint power agreements (JPAs), with Bay Area Community College Districts Joint Powers Authority (BACCDJPA) and Northern California Community College Pool (NCCCP). The relationship between Gavilan Joint Community College District and the JPAs is such that they are not component units of Gavilan Joint Community College District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. Gavilan Joint Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

Condensed financial information of the JPAs for the most recent year available is as follows:

	<u>BACCDJPA</u>		<u>NCCCP</u>
	<u>June 30, 2012</u>		<u>June 30, 2012</u>
Total assets	\$ 6,882,451	\$	2,433,844
Total liabilities	\$ 3,566,057	\$	1,450,882
Net assets	\$ 3,316,394	\$	982,962
Total revenues	\$ 3,981,065	\$	3,895,524
Total expenses	\$ 5,847,845	\$	4,755,217
Change in net assets	\$ (1,866,780)	\$	(859,693)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and change in net position for the year ended June 30, 2013.

<u>Functional Classifications</u>	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies Materials and Other Operating Expenses and Services</u>	<u>Student Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 10,903,833	\$ 2,547,335	\$ 712,798	\$ -	\$ -	\$ 14,163,966
Academic Support	3,124,946	1,399,752	697,666	-	-	5,222,364
Student Services	3,080,607	1,312,963	385,226	-	-	4,778,796
Operations and Maintenance of Plant	671,800	393,537	2,288,986	-	-	3,354,323
Institution Support	2,040,394	1,452,234	1,508,160	-	-	5,000,788
Community Services & Economic Development	633,286	242,747	534,243	-	-	1,410,276
Auxiliary Operations	535,656	232,791	467,622	-	-	1,236,069
Student Aid	-	-	-	7,432,289	-	7,432,289
Depreciation	-	-	-	-	1,931,989	1,931,989
Physical Property and Related Acquisitions	-	-	491,609	-	-	491,609
	<u>\$ 20,990,522</u>	<u>\$ 7,581,359</u>	<u>\$ 7,086,310</u>	<u>\$ 7,432,289</u>	<u>\$ 1,931,989</u>	<u>\$ 45,022,469</u>

14. SUBSEQUENT EVENT

On July 29, 2013, the District issued \$2,000,000 of Tax Revenue Anticipation Notes, maturing on June 30, 2014, with interest at 2.0%, to provide for cash flow deficits during the fiscal year. The notes are a general obligation of the District and are payable solely from revenues and cash receipts generated by the District during the fiscal year ending June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2013

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/09	July 1, 2008	\$ 5,299,464	\$ 8,202,275	\$ 2,902,811	65%	\$ 14,777,481	20%
6/30/10	July 1, 2008	\$ 5,299,464	\$ 8,202,275	\$ 2,902,811	65%	\$ 15,450,194	19%
6/30/11	July 1, 2008	\$ 5,299,464	\$ 8,202,275	\$ 2,902,811	65%	\$ 14,899,544	19%
6/30/12	July 1, 2011	\$ 6,669,900	\$ 8,643,029	\$ 1,973,129	77%	\$ 15,075,427	13%
6/30/13	July 1, 2011	\$ 6,669,900	\$ 8,643,029	\$ 1,973,129	77%	\$ 14,993,127	13%

See accompanying note to required supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2013

The District was established on July 1, 1963. The District operations cover virtually all of San Benito County and the Southern part of Santa Clara County which includes the Morgan Hill Unified School District, the Gilroy Unified School District, and the San Benito County Joint Union High School District. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Western Association of Schools and Colleges.

The Board of Trustees and District Administration for the fiscal year ended June 30, 2013, were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Kent Child	President	2014
Walter Glines	Vice President	2014
Jonathan Brusco	Clerk	2016
Tom Breen, Esq.	Trustee	2016
Mark Dover	Trustee	2016
Laura Perry, Esq.	Trustee	2014
Anthony Ruiz	Trustee	2014

DISTRICT ADMINISTRATION

Dr. Steven Kinsella
Superintendent/President

Dr. Kathleen Rose
Executive Vice President & Chief Instructional Officer

John Pruitt
Vice President of Student Services

Terry Newman
Senior Director of Administrative Services

Sherrean Carr
Dean of Technical and Public Services

Frances Lozano
Dean of Liberal Arts and Sciences

Ron Hannon
Dean, Department of Kinesiology and Athletics

Frances Lopez
Associate Dean, Disabled Student Programs and Services

Rachel Perez
Associate Dean, Community Outreach and Grants Management

Anne Ratto
Associate Dean, Extended Opportunity Programs and Services/CalWORKs

Susan Cheu
Chief Financial Officer

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF NET POSITION BY FUND

June 30, 2013

(UNAUDITED)

	<u>Unrestricted General Fund</u>	<u>Restricted General Fund</u>	<u>Restricted Instructional Equipment Fund</u>	<u>Restricted Parking Fund</u>	<u>Child Development Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Capital Projects Fund</u>
Assets							
Current assets:							
Cash and cash equivalents	\$ 5,033,589	\$ 137,142	\$ 12,499	\$ 397	\$ 15,990	\$ 3,351,908	\$ 3,836
Receivables, net	3,249,730	1,106,390	-	3,670	24,400	4,387	495,166
Due from other funds	438,367	-	-	-	48,422	-	5,890
Prepaid expenses	<u>1,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>8,723,452</u>	<u>1,243,532</u>	<u>12,499</u>	<u>4,067</u>	<u>88,812</u>	<u>3,356,295</u>	<u>504,892</u>
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Net OPEB asset	-	-	-	-	-	-	-
Depreciable capital assets, net	-	-	-	-	-	-	-
Non-depreciable capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,723,452</u>	<u>\$ 1,243,532</u>	<u>\$ 12,499</u>	<u>\$ 4,067</u>	<u>\$ 88,812</u>	<u>\$ 3,356,295</u>	<u>\$ 504,892</u>
Liabilities							
Current liabilities:							
Accounts payable	\$ 695,536	\$ 683,559	\$ -	\$ 2,044	\$ 756	\$ -	\$ 99,286
Accrued payroll	901,177	112,869	-	2,023	5,997	-	-
Accrued interest payable	-	-	-	-	-	-	-
Unearned revenue	1,143,735	430,104	-	-	-	-	-
Due to other funds	45,088	17,000	-	-	82,059	-	350,676
Compensated absences	-	-	-	-	-	-	-
Tax and revenue anticipation notes payable	3,000,000	-	-	-	-	-	-
Long-term liabilities - current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>5,785,536</u>	<u>1,243,532</u>	<u>-</u>	<u>4,067</u>	<u>88,812</u>	<u>-</u>	<u>449,962</u>
Noncurrent liabilities:							
Long-term liabilities - noncurrent portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,785,536</u>	<u>1,243,532</u>	<u>-</u>	<u>4,067</u>	<u>88,812</u>	<u>-</u>	<u>449,962</u>
Net Position							
Net investment in capital assets	-	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	3,356,295	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	54,930
Educational programs	-	-	12,499	-	-	-	-
Other special purposes	-	-	-	-	-	-	-
Unrestricted	<u>2,937,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>2,937,916</u>	<u>-</u>	<u>12,499</u>	<u>-</u>	<u>-</u>	<u>3,356,295</u>	<u>54,930</u>
Total liabilities and net position	<u>\$ 8,723,452</u>	<u>\$ 1,243,532</u>	<u>\$ 12,499</u>	<u>\$ 4,067</u>	<u>\$ 88,812</u>	<u>\$ 3,356,295</u>	<u>\$ 504,892</u>

(Continued)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF NET POSITION BY FUND
(Continued)
June 30, 2013
(UNAUDITED)

	<u>Measure E Bond Construction Fund</u>	<u>Student Financial Aid Fund</u>	<u>Totals</u>	<u>Reconciling Adjustments/ Eliminations</u>	<u>Statement of Net Position</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 27,584,884	\$ (157,100)	\$ 35,983,145	\$ (31,090,667)	\$ 4,892,478
Receivables, net	27,571	256,672	5,167,986	11,281	5,179,267
Due from other funds	149,184	-	641,863	(641,863)	-
Prepaid expenses	-	-	1,766	416,377	418,143
	<u>27,761,639</u>	<u>99,572</u>	<u>41,794,760</u>	<u>(31,304,872)</u>	<u>10,489,888</u>
Total current assets					
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	-	31,090,667	31,090,667
Net OPEB asset	-	-	-	1,135,686	1,135,686
Depreciable capital assets, net	-	-	-	56,240,956	56,240,956
Non-depreciable capital assets	-	-	-	29,255,739	29,255,739
	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,723,048</u>	<u>117,723,048</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,723,048</u>	<u>117,723,048</u>
Total assets	<u>\$ 27,761,639</u>	<u>\$ 99,572</u>	<u>\$ 41,794,760</u>	<u>\$ 86,418,176</u>	<u>\$ 128,212,936</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 97,209	\$ 99,572	\$ 1,677,962	\$ -	\$ 1,677,962
Accrued payroll	-	-	1,022,066	-	1,022,066
Accrued interest payable	-	-	-	2,415,469	2,415,469
Unearned revenue	-	-	1,573,839	-	1,573,839
Due to other funds	135,759	-	630,582	(630,582)	-
Compensated absences	-	-	-	626,262	626,262
Tax and revenue anticipation notes payable	-	-	3,000,000	-	3,000,000
Long-term liabilities - current portion	-	-	-	1,066,447	1,066,447
	<u>232,968</u>	<u>99,572</u>	<u>7,904,449</u>	<u>3,477,596</u>	<u>11,382,045</u>
Total current liabilities	<u>232,968</u>	<u>99,572</u>	<u>7,904,449</u>	<u>3,477,596</u>	<u>11,382,045</u>
Noncurrent liabilities:					
Long-term liabilities - noncurrent portion	-	-	-	100,434,576	100,434,576
	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,434,576</u>	<u>100,434,576</u>
Total liabilities	<u>232,968</u>	<u>99,572</u>	<u>7,904,449</u>	<u>103,912,172</u>	<u>111,816,621</u>
Net Position					
Net investment in capital assets	-	-	-	11,610,366	11,610,366
Restricted for:					
Debt service	-	-	3,356,295	-	3,356,295
Capital projects	27,528,671	-	27,583,601	(27,528,671)	54,930
Educational programs	-	-	12,499	-	12,499
Other special purposes	-	-	-	1,135,686	1,135,686
Unrestricted	-	-	2,937,916	(2,711,377)	226,539
	<u>27,528,671</u>	<u>-</u>	<u>33,890,311</u>	<u>(17,493,996)</u>	<u>16,396,315</u>
Total net position	<u>27,528,671</u>	<u>-</u>	<u>33,890,311</u>	<u>(17,493,996)</u>	<u>16,396,315</u>
Total liabilities and net position	<u>\$ 27,761,639</u>	<u>\$ 99,572</u>	<u>\$ 41,794,760</u>	<u>\$ 86,418,176</u>	<u>\$ 128,212,936</u>

See accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND

For the Year Ended June 30, 2013

(UNAUDITED)

	<u>Unrestricted General Fund</u>	<u>Restricted General Fund</u>	<u>Restricted Instructional Equipment Fund</u>	<u>Restricted Parking Fund</u>	<u>Child Development Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Capital Projects Fund</u>
Operating revenues:							
Tuition and fees	\$ 2,044,459	\$ 338,950	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Scholarship discounts and allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net tuition and fees	<u>2,044,459</u>	<u>338,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grants and contracts, non-capital:							
Federal	-	3,094,790	-	-	15,710	-	-
State	961,294	2,307,240	-	-	107,863	-	-
Local	<u>228,148</u>	<u>608,772</u>	<u>-</u>	<u>-</u>	<u>83,153</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>3,233,901</u>	<u>6,349,752</u>	<u>-</u>	<u>-</u>	<u>206,726</u>	<u>-</u>	<u>-</u>
Operating expenses:							
Salaries	16,005,389	4,663,201	-	95,788	223,595	-	-
Employee benefits	5,926,922	1,502,866	-	46,349	111,095	-	-
Supplies, materials and other operating expenses and services	5,894,794	1,617,456	-	27,362	19,001	5,120	491,610
Student Aid	-	418,361	-	-	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>27,827,105</u>	<u>8,201,884</u>	<u>-</u>	<u>169,499</u>	<u>353,691</u>	<u>5,120</u>	<u>491,610</u>
Loss from operations	<u>(24,593,204)</u>	<u>(1,852,132)</u>	<u>-</u>	<u>(169,499)</u>	<u>(146,965)</u>	<u>(5,120)</u>	<u>(491,610)</u>
Non-operating revenues (expenses):							
State apportionment, non-capital	8,753,970	257,543	-	-	-	-	-
Local property taxes	15,211,371	-	-	-	-	-	-
State taxes and other revenues	107,359	-	-	-	-	43,516	-
Pell grants	-	-	-	-	-	-	-
Investment income - non-capital	75,938	-	-	-	231	7,302	182
Interest expense on capital asset related debt	-	-	-	-	-	(4,640,453)	-
Other non-operating revenues (expenses)	2,061,960	36,416	-	139,297	(411)	-	-
Debt reduction	-	-	-	-	-	(1,275,000)	-
Other financing sources (uses)	-	-	-	-	-	-	-
Interfund transfers out	(1,811,056)	(14,895)	-	-	-	-	-
Interfund transfers in	<u>-</u>	<u>1,573,068</u>	<u>-</u>	<u>22,618</u>	<u>147,145</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>24,399,542</u>	<u>1,852,132</u>	<u>-</u>	<u>161,915</u>	<u>146,965</u>	<u>(5,864,635)</u>	<u>182</u>
Loss before capital revenues	(193,662)	-	-	(7,584)	-	(5,869,755)	(491,428)
Capital revenues:							
State apportionment	-	-	-	-	-	-	491,609
Local property taxes and other revenues, capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,737,514</u>	<u>-</u>
Total capital revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,737,514</u>	<u>491,609</u>
Change in net position	(193,662)	-	-	(7,584)	-	(132,241)	181
Net position, July 1, 2012	<u>3,131,578</u>	<u>-</u>	<u>12,499</u>	<u>7,584</u>	<u>-</u>	<u>3,488,536</u>	<u>54,749</u>
Net position, June 30, 2013	<u>\$ 2,937,916</u>	<u>\$ -</u>	<u>\$ 12,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,356,295</u>	<u>\$ 54,930</u>

(Continued)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND
(Continued)
For the Year Ended June 30, 2013

(UNAUDITED)

	Measure E Bond Construction Fund	Student Financial Aid Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Revenues, Expenses and Change in Net Position
Operating revenues:					
Tuition and fees	\$ -	\$ -	\$ 2,383,409	\$ 1,758,150	\$ 4,141,559
Less: Scholarship discounts and allowance	-	-	-	(1,758,150)	(1,758,150)
Net tuition and fees	<u>-</u>	<u>-</u>	<u>2,383,409</u>	<u>-</u>	<u>2,383,409</u>
Grants and contracts, non-capital:					
Federal	-	1,057,030	4,167,530	-	4,167,530
State	-	-	3,376,397	-	3,376,397
Local	-	-	920,073	-	920,073
Total operating revenues	<u>-</u>	<u>1,057,030</u>	<u>10,847,409</u>	<u>-</u>	<u>10,847,409</u>
Operating expenses:					
Salaries	-	-	20,987,973	2,549	20,990,522
Employee benefits	-	-	7,587,232	315,918	7,903,150
Supplies, materials and other operating expenses and services	924,262	11,735	8,991,340	(1,905,030)	7,086,310
Student Aid	-	7,013,928	7,432,289	-	7,432,289
Depreciation	-	-	-	1,931,989	1,931,989
Total operating expenses	<u>924,262</u>	<u>7,025,663</u>	<u>44,998,834</u>	<u>345,426</u>	<u>45,344,260</u>
Loss from operations	<u>(924,262)</u>	<u>(5,968,633)</u>	<u>(34,151,425)</u>	<u>(345,426)</u>	<u>(34,496,851)</u>
Non-operating revenues (expenses):					
State apportionment, non-capital	-	-	9,011,513	-	9,011,513
Local property taxes	-	-	15,211,371	-	15,211,371
State taxes and other revenues	-	-	150,875	-	150,875
Pell grants	-	5,968,633	5,968,633	-	5,968,633
Investment income - non-capital	158,143	-	241,796	-	241,796
Interest expense on capital asset related debt	-	-	(4,640,453)	(199,901)	(4,840,354)
Other non-operating revenues (expenses)	2,307	-	2,239,569	-	2,239,569
Debt reduction	-	-	(1,275,000)	1,275,000	-
Other financing sources (uses)	-	-	-	-	-
Interfund transfers out	-	-	(1,825,951)	1,825,951	-
Interfund transfers in	-	-	1,742,831	(1,742,831)	-
Total non-operating revenues (expenses)	<u>160,450</u>	<u>5,968,633</u>	<u>26,825,184</u>	<u>1,158,219</u>	<u>27,983,403</u>
Loss before capital revenues	<u>(763,812)</u>	<u>-</u>	<u>(7,326,241)</u>	<u>812,793</u>	<u>(6,513,448)</u>
Capital revenues:					
State apportionment	-	-	491,609	-	491,609
Local property taxes and other revenues, capital	-	-	5,737,514	-	5,737,514
Total capital revenues	<u>-</u>	<u>-</u>	<u>6,229,123</u>	<u>-</u>	<u>6,229,123</u>
Change in net position	<u>(763,812)</u>	<u>-</u>	<u>(1,097,118)</u>	<u>812,793</u>	<u>(284,325)</u>
Net position, July 1, 2012	<u>28,292,483</u>	<u>-</u>	<u>34,987,429</u>	<u>(18,306,789)</u>	<u>16,680,640</u>
Net position, June 30, 2013	<u>\$ 27,528,671</u>	<u>\$ -</u>	<u>\$ 33,890,311</u>	<u>\$ (17,493,996)</u>	<u>\$ 16,396,315</u>

See accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i>Direct Programs:</i>		
TRIO Staff Training Program	84.042A	\$ 238,679
<i>Student Financial Aid Cluster:</i>		
College Work Study Program	84.033	100,946
Pell Grant Program	84.063	5,968,633
SEOG	84.007	38,250
Direct Loans	84.268	<u>1,018,780</u>
Subtotal Student Financial Aid Cluster		<u>7,126,609</u>
<i>Higher Education - Institutional Aid Cluster</i>		
<i>Passed through California Department of Education:</i>		
Higher Education - STEM	84.031C	1,223,755
<i>Passed through Hartnell Community College:</i>		
Title V - Higher Education	84.031S	<u>1,149,830</u>
Subtotal Higher Education - Institutional Aid Cluster		<u>2,373,585</u>
<i>Passed through California Department of Education:</i>		
Vocational and Applied Technology - Title IC	84.011	154,473
Vocational and Applied Technology - Tech Prep	84.048	48,437
State Vocational Rehabilitation Services	84.126A	170,670
Vocational Rehabilitation Grants - ARRA	84.390	<u>8,000</u>
Subtotal U.S. Department of Education		<u>10,120,453</u>
<u>U.S. Department of Agriculture</u>		
<i>Passed through California Department of Education</i>		
Child and Adult Care Food Program	10.558	<u>15,710</u>
Total Federal Programs		<u>\$ 10,136,163</u>

See accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2013

	<u>Program Entitlements</u>			<u>Program Revenues</u>			<u>Program Expenditures</u>
	<u>Prior Year Carry-forward</u>	<u>Current Entitlement</u>	<u>Total Entitlement</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue/Accounts Payable</u> <u>Total</u>	
TANF	\$ -	\$ 118,572	\$ 118,572	\$ 59,469	\$ 59,103	\$ -	\$ 118,572
Financial Aid - BFAP	13,648	220,917	234,565	234,565	-	-	234,565
EOPS	-	358,408	358,408	358,408	-	-	358,408
CARE	-	117,642	117,642	117,642	-	-	117,642
DSPS	-	435,995	435,995	435,995	-	-	435,995
Cal WORKs	-	199,037	199,037	179,428	19,609	-	199,037
Matriculation - Credit	-	229,549	229,549	229,549	-	-	229,549
Matriculation - Noncredit	651	9,673	10,324	10,324	-	(651)	9,673
CCC SMHP	-	29,395	29,395	-	29,395	-	29,395
Staff Diversity	-	4,785	4,785	4,785	-	-	4,785
HRDAC	12,771	-	12,771	12,771	-	(12,771)	-
Basic Skills	254,126	3,417	257,543	365,361	-	(107,818)	257,543
Region 4	-	10,000	10,000	10,000	-	-	10,000
Cal Grant B & C	-	277,945	277,945	277,288	657	-	277,945
MESA	3,039	35,686	38,725	33,339	5,386	-	38,725
CTC Apprenticeship	-	105,581	105,581	130,613	-	(25,032)	105,581
Capacity RN Grant	-	89,687	89,687	75,337	14,350	-	89,687
CTE Comm. Collaborative Project	-	21,752	21,752	20,414	1,338	-	21,752
Lifeline 1,329	(432)	897	11,068	-	(10,171)	897	897
Child Development - Preschool	-	108,165	108,165	97,433	10,732	-	108,165
Total State Programs	\$ 285,564	\$ 2,375,774	\$ 2,661,338	\$ 2,663,789	\$ 140,570	\$ (156,443)	\$ 2,647,916

See accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT**

Annual Attendance as of June 30, 2013

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	51		51
2. Credit	303		303
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	-		-
2. Credit	-		-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	3,129		3,129
b. Daily Census Contact Hours	45		45
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	507		507
b. Credit	651		651
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	418		418
b. Daily Census Contact Hours	42		42
c. Noncredit Independent Study/ Distance Education Courses	-		-
	-	-	-
D. Total FTES	5,146	-	5,146
Supplemental Information:			
E. In-Service Training Courses (FTES)	182		182
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	146		146
b. Credit	518		518
<u>CCFS 320 Addendum</u>			
CDCP	74		74
Centers FTES			
a. Noncredit	-		-
b. Credit	-		-

See accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2013

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 4,486,628	\$ -	\$ 4,486,628	\$ 4,608,865	\$ -	\$ 4,608,865
Other	1300	<u>5,110,193</u>	<u>-</u>	<u>5,110,193</u>	<u>5,467,099</u>	<u>-</u>	<u>5,467,099</u>
Total instructional salaries		<u>9,596,821</u>	<u>-</u>	<u>9,596,821</u>	<u>10,075,964</u>	<u>-</u>	<u>10,075,964</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	1,929,212	-	1,929,212
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,459</u>	<u>-</u>	<u>100,459</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,029,671</u>	<u>-</u>	<u>2,029,671</u>
Total academic salaries		<u>9,596,821</u>	<u>-</u>	<u>9,596,821</u>	<u>12,105,635</u>	<u>-</u>	<u>12,105,635</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	4,475,501	-	4,475,501
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,896</u>	<u>-</u>	<u>62,896</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,538,397</u>	<u>-</u>	<u>4,538,397</u>
Instructional aides:							
Regular status	2200	649,089	-	649,089	649,089	-	649,089
Other	2400	<u>178,780</u>	<u>-</u>	<u>178,780</u>	<u>178,780</u>	<u>-</u>	<u>178,780</u>
Total instructional aides		<u>827,869</u>	<u>-</u>	<u>827,869</u>	<u>827,869</u>	<u>-</u>	<u>827,869</u>
Total classified salaries		<u>827,869</u>	<u>-</u>	<u>827,869</u>	<u>5,366,266</u>	<u>-</u>	<u>5,366,266</u>
Employee benefits	3000	2,547,335	-	2,547,335	5,332,014	-	5,332,014
Supplies and materials	4000	-	-	-	507,743	-	507,743
Other operating expenses	5000	-	-	-	3,790,321	-	3,790,321
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures prior to exclusions		<u>\$ 12,972,025</u>	<u>\$ -</u>	<u>\$ 12,972,025</u>	<u>\$ 27,101,979</u>	<u>\$ -</u>	<u>\$ 27,101,979</u>

(Continued)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

(Continued)

For the Year Ended June 30, 2013

Exclusions	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	-	-	-
Objects to exclude:							
Rents and leases	5060	-	-	-	369,649	-	369,649
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	182,588	-	182,588
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	182,588	-	182,588
Other operating expenses and services	5000	-	-	-	1,094,342	-	1,094,342
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo		-	-	-	-	-	-
Total exclusions		\$ -	\$ -	\$ -	\$ 1,646,579	\$ -	\$ 1,646,579
Total for ECS 84362, 50% Law		\$ 12,972,025	\$ -	\$ 12,972,025	\$ 25,455,400	\$ -	\$ 25,455,400
Percent of CEE (instructional salary cost /Total CEE)		50.96%	-	50.96%	100%	-	100%
50% of current expense of education					\$ 12,727,700	\$ -	\$ 12,727,700

See accompany notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2013**

EPA Proceeds: \$4,127,261

<u>Activity Classification</u>	<u>Activity Code (0100- 5900)</u>	<u>Salaries and Benefits (1000- 3000)</u>	<u>Operating Expenses (4000- 5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	-	\$4,127,261	-	-	\$4,127,261

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

- A - Combining Statement of Net Position by Fund and Statement of Revenues, Expenses and Change in Net Position by Fund

These statements report the financial position and operational results of the individual funds of the District, and the reconciling adjusting entries under GASB Cod. Sec. Co5.101. The information is presented at the request of District management and has been derived from audited information.

- B - 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 accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

- C - Schedule of State Financial Awards

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

- D - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

- E - 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 CCFS-311 to the audited basic financial statements.

- F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

G - Prop 30 EPA Expenditure Report

This schedule provides the information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Gavilan Joint Community College District with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2013:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Gann Limit Calculation
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Other Materials
- Student Fees-Health Fees and Use of Health Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Board Funded Projects
- Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of Gavilan Joint Community College District. 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 California State Chancellor's Office's *California Community College District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Gavilan Joint Community College 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. However, our audit does not provide legal determination of Gavilan Joint Community College District's compliance with those requirements.

Opinion with State Laws and Regulations

In our opinion, Gavilan Joint Community College District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Gavilan Community College District had not complied with the state laws and regulations.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 20, 2013

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited, in accordance with the 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 fiduciary activities of Gavilan Joint Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Gavilan Joint Community College District's basic financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gavilan Joint Community College 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 Gavilan Joint Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gavilan Joint Community College 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 entity'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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gavilan Joint Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 20, 2013

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

Report on Compliance for Each Major Federal Program

We have audited Gavilan Joint Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Gavilan Joint Community College District's major federal programs for the year ended June 30, 2013. Gavilan Joint Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gavilan Joint Community College 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Gavilan Joint Community College 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 Gavilan Joint Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, Gavilan Joint Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Gavilan Joint Community College 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 Gavilan Joint Community College 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 OMB Circular A-133, 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 Gavilan Joint Community College 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 20, 2013

FINDINGS AND RECOMMENDATIONS

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013
SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X 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 Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.033, 84.063, 84.007, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 304,805

Auditee qualified as low-risk auditee? _____ Yes X No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unmodified

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
For the Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
For the Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
For the Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
<p>2012-01</p> <ul style="list-style-type: none"> • District incorrectly coded independent study courses as weekly census courses with TBA hours and accordingly, calculated FTEs under the Weekly Student Contact Hour Procedures and not the Alternative Attendance Accounting Procedure. • District calculated FTEs for one identified daily census courses based on an incorrect number of meeting times. • District calculated FTEs for courses with meeting times in increments less than 5 minutes. The courses were described in the Schedule of Classes as having meeting times in increments less than 5 minutes but students met for the full period to meet the requirement for 5 minute increments. <p>The District should implement procedures to ensure all courses are classified and scheduled and contact hours are calculated in accordance with compliance requirements.</p>	<p>Implemented.</p>	
<p>2012-02</p> <p>The District did not obtain signed student educational plans for seven students served by EOPS.</p> <p>The District should develop and implement procedures to ensure compliance with EOPS recordkeeping requirements.</p>	<p>Implemented.</p>	

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2013

2012-03

Implemented.

The District did not advise students of the exemptions from payment of health fees nor did it have a process in place for students to claim an exemption.

The District should ensure a process is in place for students to claim exemptions for payment of health fees and that process is communicated through the annual course catalog.