Financial Statements
June 30, 2020

Gavilan Joint Community College District

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Schedule of Findings and Questioned Costs

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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 the aggregate remaining fund information of Gavilan Joint Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 the aggregate remaining fund information of the District as of June 30, 2020, 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.

Emphasis of Matter - Correction of Errors in Previously Issued Financial Statements

As discussed in Note 16 to the financial statements, certain errors resulting in material misstatements of amounts previously reported for capital assets, accounts receivable, and accounts payable as of June 30, 2019, were discovered by the auditors during the audit of the current year. Accordingly, amounts reported for capital assets, accounts receivable, and accounts payable have been restated in the June 30, 2020 financial statements now presented, and an adjustment has been made to the District's net position as of July 1, 2019, to correct the errors. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 14 and other required supplementary schedules as listed in the table of contents, on pages 76 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
April 30, 2021

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, 2020. The report consists of three basic financial statements: the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

Gavilan Joint Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34*, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the statement of net position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. The statement of revenues, expenses, and changes in net position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The statement of cash flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all state community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

- The District was originally established in 1919 as San Benito County Junior College. It operated under this title until 1963, when a new community college district was formed that included both San Benito and southern Santa Clara Counties. Successful passage of a local bond in 1966 provided the needed funds to construct the present campus at Santa Teresa Boulevard and Castro Valley Road in Gilroy, California. In 2004, a GO bond for $104 million was passed to allow for modernization and the purchase of land in Coyote Valley and San Benito County. In 2018, another GO bond was passed for $248 million that will provide a new campus footprint in San Benito County and several building projects on the Gilroy campus. In the fall of 2019, Gavilan College celebrated its 100th year of operation as a community college. However, due to the pandemic and mandatory quarantine in 2020, the college has been operating primarily in a remote environment.

- The District's primary funding source is apportionment received from the State of California through the Student Centered Funding Formula {SCFF}. Apportionment funding through the SCFF is based on 70% for Full-Time Equivalent Students {FTES}, 20% for Supplemental metrics, and 10% for Student Success metrics. During the 2019-2020 fiscal year, total reported resident FTES were 4,812 as compared to 5,353 in the 2018-2019 fiscal year. Due to the COVID-19 pandemic, the California Community College Chancellor's Office has authorized the use of emergency conditions apportionment protection whereby the 2019-2020 first apportionment calculation for FTES will be used for SCFF apportionment calculations for fiscal year 2019-2020, and fiscal year 2020-2021. This provides a level of stable funding for the District during the pandemic.

- 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. In FY17/18 the District reported 4,706 FTES which placed the District back on stability. In FY18/19 these FTES were restored and recovered to 5,352 FTES.

- The District experienced a budget shortfall in 2019/20 and acted to reduce expenses by negotiating furloughs for classified and administrative employees as well as curtailing other expenses such as travel, closure of the Morgan Hill site, and reduced facility costs. The District is actively working on a balanced budget as well as improving overall fiscal health.

- As a response to the COVID-19 pandemic, the District converted classes to online in March, 2020, and closed the campus excepting certain classes that could not be taught online. The District is currently a COVID-19 testing site and provides tests for the community.

- During the 20/21 fiscal year the District completed its second issuance of General Obligation Bonds authorized pursuant to Measure X on October 15, 2020. The new money issuance was comprised of a $40 million Series A (Tax Exempt) and a $65 million Series B (Taxable), accompanied by a $15 million refinancing of bonds authorized pursuant to Measure E. The District presented all aspects of its creditworthiness to S&P Global and Moody's Investor Service, particularly its multi-step budget-balancing process undertaken during Summer 2020 to achieve a 5.5% ending fund balance for Fiscal Year 2020/21. The result was that all bonds garnered a "AA" and "Aa3" credit rating from S&P and Moody's, respectively, which categorizes the District's bonds as "high grade", consistent with the large majority of community colleges in the State.

The Annual Report consists of three basic financial statements that provide information on the District as a whole and will be discussed below:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

THE DISTRICT AS A WHOLE

Statement of Net Position

The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the statement of net position provides a picture of the net position and its availability for expenditure by the District.

The difference between total assets plus deferred outflows less total liabilities and deferred inflows (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The net position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net position; this net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

The statement of net position as of June 30, 2020 and 2019, is summarized below:

Table 1

	2020	(as Restated) 2019	Change
Assets			
Current Assets			
Cash and cash equivalents	$ 46,837,492	$ 49,479,207	$ (2,641,715)
Receivables, net - current	3,637,980	3,628,044	9,936
Other current assets	-	301,196	(301,196)
Total current assets	50,475,472	53,408,447	(2,932,975)
Noncurrent Assets			
Receivables - noncurrent	382,921	405,446	(22,525)
Capital assets (net)	123,109,900	124,161,429	(1,051,529)
Total noncurrent assets	123,492,821	124,566,875	(1,074,054)
Total assets	173,968,293	177,975,322	(4,007,029)
Deferred Outflows of Resources			
Deferred charges on refunding	5,879,418	6,506,704	(627,286)
Deferred outflows of resources for OPEB and pensions	11,173,319	14,376,603	(3,203,284)
Total deferred outflows of resources	17,052,737	20,883,307	(3,830,570)
Total assets and deferred outflows of resources	$ 191,021,030	$ 198,858,629	$ (7,837,599)
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ 14,701,332	$ 18,463,012	$ (3,761,680)
Current portion of long-term liabilities	11,395,199	4,819,025	6,576,174
Total current liabilities	26,096,531	23,282,037	2,814,494
Long-Term Liabilities	182,596,042	191,827,480	(9,231,438)
Total liabilities	208,692,573	215,109,517	(6,416,944)
Deferred Inflows of Resources			
Deferred inflows of resources for OPEB and pensions	3,169,050	1,434,100	1,734,950
Total liabilities and deferred inflows of resources	211,861,623	216,543,617	(4,681,994)
Net Position			
Net investment in capital assets	3,502,618	2,888,571	614,047
Restricted	12,563,003	6,973,352	5,589,651
Unrestricted deficit	(36,906,214)	(27,546,911)	(9,359,303)
Total net position	(20,840,593)	(17,684,988)	(3,155,605)
Total liabilities, deferred inflows of resources and net position	$ 191,021,030	$ 198,858,629	$ (7,837,599)

Fiscal year ended 2020 compared to 2019:

- Total assets decreased approximately $4.0 million, a 2.3% decrease from the prior year. The decrease is mostly due to construction costs for Measure X funded projects incurred in 2019-2020.

- Total current liabilities increased approximately $2.8 million, a 12.1% increase from the prior year, due largely from increases in unearned revenue and the current portion of long-term liabilities. Unearned revenues increased due to unspent funds for categorial programs in the restricted general fund. The current portion of long-term liabilities is mostly driven by the payment schedules for the District's Measure E and Measure X General Obligation Bonds. In the 2018-2019 fiscal year, this balance was approximately $4.8 million versus $11.4 million for 2019-2020.

- Long-term liabilities decreased by $9.2 million, a 4.8% decrease from the prior year. This balance is mostly comprised of the long-term portion of the District's General Obligation Bonds, as well as the liabilities associated with the OPEB and pension liabilities associated with STRS and PERS.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position are presented on the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the operating and nonoperating revenues earned whether received or not by the District, the operating and nonoperating expenses incurred whether paid or not by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations while budgeted for operations, are considered nonoperating revenue according to generally accepted accounting principles because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

Table 2

	2020	2019	Change
Operating Revenues			
Tuition and fees, net	$ 1,845,753	$ 2,798,700	$ (952,947)
Grants and contracts, noncapital	14,084,437	14,544,930	(460,493)
Total operating revenues	15,930,190	17,343,630	(1,413,440)
Operating Expenses			
Salaries and benefits	47,062,539	45,581,226	1,481,313
Supplies and maintenance	10,563,862	9,631,173	932,689
Student financial aid	8,993,822	7,932,985	1,060,837
Depreciation	3,892,499	3,306,633	585,866
Total operating expenses	70,512,722	66,452,017	4,060,705
Loss on Operations	(54,582,532)	(49,108,387)	(5,474,145)
Nonoperating Revenues			
State apportionments	7,411,168	1,699,552	5,711,616
Property taxes	38,607,210	35,408,622	3,198,588
State and federal financial aid grants	6,959,928	6,617,558	342,370
Other state revenues	1,546,906	96,869	1,450,037
Net interest expense	(4,948,814)	(4,700,603)	(248,211)
Other nonoperating revenues	1,827,216	1,484,245	342,971
Total nonoperating revenue	51,403,614	40,606,243	10,797,371
Other Revenues			
Local capital income	23,313	608,883	(585,570)
Change in Net Position	$ (3,155,605)	$ (7,893,261)	$ 4,737,656

Fiscal year ended 2020 compared to 2019:

- Salaries and benefits increased by approximately $1.5 million or 3.3%. The main driver was the increase in the STRS and PERS pension liability, which increased by $1.6 million or 3.5% during the 2019-2020 year.

- Student aid payments increased by approximately $1.1 million 13.4%. This was mostly due to the awards disbursed to students funded by the Higher Education Emergency Relief Funds (HEERF) under the CARES Act.

- Total nonoperating revenue increased due to the District receiving property taxes for Measure X in addition to those for Measure E.

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

Table 3

Year ended June 30, 2020:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 17,854,578	$ 2,475,586	$ 46,752	$ -	$ -	$ 20,376,916
Academic support	4,125,219	712,365	20,981	-	-	4,858,565
Student services	11,577,585	695,166	9,799	-	-	12,282,550
Plant operations and maintenance	1,991,238	1,627,409	10,422	-	-	3,629,069
Instructional support activities	7,694,367	2,623,540	8,065	-	-	10,325,972
Community services and economic development	1,502,110	1,289,422	733	-	-	2,792,265
Ancillary services and auxiliary operations	2,317,442	378,824	10,503	-	-	2,706,769
Physical property and related acquisitions	-	293,284	361,011	-	-	654,295
Student aid	-	-	-	8,993,822	-	8,993,822
Unallocated depreciation	-	-	-	-	3,892,499	3,892,499
Total	$ 47,062,539	$ 10,095,596	$ 468,266	$ 8,993,822	$ 3,892,499	$ 70,512,722

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The statement of cash flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities and deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net change in cash and cash equivalents to the ending cash and cash equivalents balance reflected on the statement of net position.

Statement of Changes in Cash Position

- Operating activities consist of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.
- Noncapital financing activities are primarily state apportionment and property taxes.
- Capital financing activities consist of purchases of capital assets (land, buildings, and equipment) and bond interest payments and receipts from federal and state grants for capital purposes, as well as property tax revenue for bond repayments.
- Cash from investing activities is interest earned on investments through the Santa Clara County Investment Pool.

Table 4

	2020	2019	Change
Operating Activities	$ (43,769,730)	$ (26,169,496)	$ (17,600,234)
Noncapital financing activities	35,710,413	32,906,283	2,804,130
Capital financing activities	5,298,799	30,208,913	(24,910,114)
Investing activities	118,803	132,436	(13,633)
Net Change in Cash and cash equivalents	(2,641,715)	37,078,136	(39,719,851)
Cash and cash equivalents, Beginning of Year	49,479,207	12,401,071	37,078,136
Cash and cash equivalents, End of Year	$ 46,837,492	$ 49,479,207	$ (2,641,715)

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2020, the District had $162.5 million in capital assets, less $39.4 million of accumulated depreciation for net capital assets of $123.1 million. The District continues to work on the facilities projects that are part of the $248 million bond program under Measure X. The District spent approximately $2.8 million on capital assets in 2019-2020, the majority of which relate to bond proceeds. Depreciation charges totaled $3.9 million in 2019-2020. We present more detailed information regarding our capital assets in Note 6 of the financial statements.

Table 5

	(as Restated) Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 29,189,089	$ 2,295,497	$ -	$ 31,484,586
Buildings and improvements	120,022,584	38,508	-	120,061,092
Equipment and vehicles	10,502,133	506,965	-	11,009,098
Subtotal	159,713,806	2,840,970	-	162,554,776
Accumulated depreciation	(35,552,377)	(3,892,499)	-	(39,444,876)
	$ 124,161,429	$ (1,051,529)	$ -	$ 123,109,900

Long-Term Liabilities including OPEB and Pensions

At June 30, 2020, the District had $194.0 million in outstanding long-term liabilities compared to $196.6 million at June 30, 2019. We present more detailed information regarding out long-term liabilities in Notes 11, 12, and 14 to the financial statements.

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Long-Term Liabilities				
Bonds and premiums	$ 146,652,540	$ -	$ (3,874,303)	$ 142,778,237
Other long-term liabilities	1,912,609	153,841	(200,199)	1,866,251
Total	$ 148,565,149	$ 153,841	$ (4,074,502)	$ 144,644,488
Amount due within one year				$ 11,395,199

OPEB and Pension Liabilities

At June 30, 2020, the District has an aggregate other postemployment benefit liability (OPEB) of $2,721,684 compared to $3,046,992 at June 30, 2019, a net decrease of $(325,308) or 10.7%.

At June 30, 2020, the District has an aggregate net pension liability of $46,625,069 compared to $45,034,364 at June 30, 2019, a net increase of $1,590,705 or 3.5%.

BUDGETARY HIGHLIGHTS

Beginning in FY 2018-2019, the State of California adopted a new method for funding California community colleges, referred to as the Student-Centered Funding Formula. The Student-Centered Funding Formula shifts the emphasis of funding from solely on access through full-time equivalent students to a combination of access, equity and student success, with the equity component determined by the number of College Promise and Pell Grants awarded, and the student success component determined, among other aspects, by the number of degrees and certificates awarded. Due to the COVID-19 pandemic, the California Community College Chancellor's Office has authorized use of emergency conditions apportionment protection whereby 2019-2020 first apportionment calculation for FTES will be used for SCFF apportionment calculations for fiscal year 2019-2020, and fiscal year 2020-2021.

At the time the 2019-2020 budget was developed, the following assumptions were made:

- While the District was in Hold Harmless for 18/19, the budget assumes a .52% growth ($97,996) and 3.26% COLA ($1,080,592) for 2019/20.

- The District budgeted a balanced budget with an ending balance of $3,225,632 or 8.76% reserve

- In 2016/17, the District had 5,321 FTES; in 2017/18 it had 4,706 FTES; in 2018/19 it had 5,345 FTES. The District budgeted 5,201 FTES for 19/20. The District has been able to shift FTES between years to stabilize funding. The District plans to offset lost enrollment due to employment gains with increasing population within the District's boundaries.

ECONOMIC FACTORS

- The financial position of the District is closely tied to that of the State of California. The District receives about 90% of its unrestricted general fund revenues through state apportionments, local property taxes including redevelopment agency allocations, the Education Protection Account (EPA) and student paid enrollment fees which make up the District's general apportionment, the main funding support for California community colleges.

- There are concerns for community colleges in that the condition of the state's budget depends on many volatile and unpredictable economic conditions. The primary factor is the one-time HEERF funding, and the re-opening of district locations post-pandemic. This uncertainty coupled with the expectation of Cost of Living Adjustments (COLAs) remaining low in the foreseeable future, growth of Full Time Equivalent Students remaining tenuous, continuing cost increases related to pension obligations, and the Student Centered Funding Formula adding additional funding volatility and uncertainty necessitates a cautious approach to budget forecasts.

- Management continues to closely monitor the state budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and recommended by the State Chancellor's Office.

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 Gavilan Joint Community College District, attention Dr. Kathleen Rose, Superintendent/President, 5055 Santa Teresa Blvd., Gilroy California 95050 or email at krose@gavilan.edu.

Assets	
Current Assets	
Cash and cash equivalents	$ 46,837,492
Accounts receivable, net	3,615,455
Lease purchase receivable due within one year	22,525
Total current assets	50,475,472
Noncurrent Assets	
Lease purchase receivable due in more than one year	382,921
Nondepreciable capital assets	31,484,586
Depreciable capital assets, net of depreciation	91,625,314
Total noncurrent assets	123,492,821
Total assets	173,968,293
Deferred Outflows of Resources	
Deferred charges on refunding	5,879,418
Deferred outflows of resources related to pensions	10,969,447
Deferred outflows of resources related to other postemployment benefits (OPEB)	203,872
Total deferred outflows of resources	17,052,737
Liabilities	
Current Liabilities	
Accounts payable	4,721,429
Interest payable	2,692,987
Current loans	4,000,000
Unearned revenue	3,286,916
Long-term liabilities other than OPEB and pensions due within one year	11,395,199
Total current liabilities	26,096,531

Noncurrent Liabilities	
Long-term liabilities other than OPEB and pensions	
due in more than one year	$ 133,249,289
Aggregate net other postemployment benefits (OPEB) liability	2,721,684
Aggregate net pension liability	46,625,069
Total noncurrent liabilities	182,596,042
Total liabilities	208,692,573
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	2,749,032
Deferred inflows of resources related to OPEB	420,018
Total deferred inflows of resources	3,169,050
Net Position	
Net investment in capital assets	3,502,618
Restricted for	
Debt service	12,563,003
Unrestricted (deficit)	(36,906,214)
Total net position	$ (20,840,593)

Operating Revenues	
Student tuition and fees	$ 4,212,932
Less scholarship discount and allowance	(2,367,179)
Net tuition and fees	1,845,753
Grants and Contracts, Noncapital	
Federal	3,525,680
State	10,020,330
Local	538,427
Total grants and contracts, noncapital	14,084,437
Total operating revenues	15,930,190
Operating Expenses	
Salaries	28,106,616
Employee benefits	18,955,923
Supplies, materials, and other operating expenses and services	10,095,596
Equipment, maintenance, and repairs	468,266
Student financial aid	8,993,822
Depreciation	3,892,499
Total operating expenses	70,512,722
Operating Loss	(54,582,532)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	7,411,168
Local property taxes, levied for general purposes	23,252,903
Taxes levied for other specific purposes	15,354,307
Federal financial aid grants, noncapital	6,122,633
State financial aid grants, noncapital	837,295
State taxes and other revenues	1,546,906
Investment income	171,118
Interest expense on capital related debt	(5,632,040)
Investment income on capital asset-related debt, net	512,108
Other nonoperating revenues	1,827,216
Total nonoperating revenues (expenses)	51,403,614

Loss before other revenues	$ (3,178,918)
Other Revenues	
Local revenues, capital	23,313
Change in Net Position	(3,155,605)
Net Position, Beginning of Year, as restated (see Note 16)	(17,684,988)
Net Position, End of Year	$ (20,840,593)

Operating Activities	
Tuition and fees	$ 2,616,846
Grants and contracts, noncapital	16,610,447
Payments to or on behalf of employees	(40,897,085)
Payments to vendors for supplies and services	(13,106,116)
Payments to students for scholarships and grants	(8,993,822)
Net Cash Flows from Operating Activities	(43,769,730)
Noncapital Financing Activities	
State apportionments	7,411,168
Federal and State financial aid grants and loans	6,959,928
Property taxes - nondebt related	23,252,903
State taxes and other apportionments	1,286,347
Proceeds from tax revenue anticipation notes	9,980,000
Principal payment on tax revenue anticipation notes	(13,359,396)
Other nonoperating	179,463
Net Cash Flows from Noncapital Financing Activities	35,710,413
Capital Financing Activities	
Purchase of capital assets	(2,436,696)
Proceeds from lease receivable	22,525
Local revenue, capital projects	23,313
Property taxes - related to capital debt	15,354,307
Principal paid on capital debt	(2,915,000)
Interest paid on capital debt	(5,261,758)
Interest received on capital asset-related debt	512,108
Net Cash Flows from Capital Financing Activities	5,298,799
Investing Activities	
Interest received from investments	118,803
Net Change in Cash and Cash Equivalents	(2,641,715)
Cash and Cash Equivalents, Beginning of Year	49,479,207
Cash and Cash Equivalents, End of Year	$ 46,837,492

Reconciliation of net operating loss to net cash flows from operating activities	
Operating loss	$ (54,582,532)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	3,892,499
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Receivables, net	2,034,041
Prepaid expenses	301,196
Deferred outflows of resources related to pensions	3,275,928
Deferred outflows of resources related to OPEB	(72,644)
Accounts payable and accrued liabilities	(2,835,719)
Unearned revenue	1,346,412
Compensated absences and early retirement incentive	(46,358)
Deferred inflows of resources related to pensions	1,470,770
Deferred inflows of resources related to OPEB	264,180
Aggregate net pension liability	1,590,705
Aggregate net OPEB liability	(325,308)
Total adjustments	10,895,702
Net Cash Flows from Operating Activities	$ (43,686,830)
Cash and Cash Equivalents Consist of the Following	
Cash on hand and in banks	$ 3,717,818
Cash in county treasury	43,119,674
Total cash and cash equivalents	$ 46,837,492
Noncash Transactions	
Amortization of debt premium	$ 959,303
Amortization of deferred charges on refunding	$ 627,286

	Trust Funds
Assets	
Cash and cash equivalents	$ 242,651
Accounts receivable	77
Total assets	242,728
Liabilities	
Accounts payable	30,713
Net Position	
Restricted	212,015
Total net position	$ 212,015

	Trust Funds
Additions	
Local revenues	$ 11,981
Deductions	
Books and supplies	12,843
Services and operating expenditures	36,075
Other uses - student aid	130,365
Total deductions	179,283
Change in Net Position	(167,302)
Net Position - Beginning of Year	379,317
Net Position - Ending of Year	$ 212,015

Note 1 - Organization

Gavilan College was originally established as San Benito County Junior College in 1919. Gavilan Joint Community College District (the District) was established in 1963 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two college(s) and six campuses/centers located within Santa Clara County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other state and local governments, and it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from federal taxes.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a “direct benefit”, the “environment and ability to access/influence reporting”, and the “significance” criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with the Gavilan College Educational Foundation (the Foundation) in conjunction with GASB Statement No. 61 criteria. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundations. However, it has been determined that all criteria under GASB Statement No. 61 has not been met to require inclusion of the Foundation’s financial statements into the District’s annual report. Information on the Foundation may be requested through the Foundation office.

Basis of Accounting - Measurement Focus and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. For the District, operating revenues consist primarily of student fees, noncapital grants, and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include state apportionments, property taxes, federal and state grants, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from federal and state grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Accounts Receivable

Accounts receivable include amounts due from the federal, state and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District has recorded an allowance for uncollectible accounts. This allowance is based upon management's estimates and analysis. The allowance was estimated at $298,031 for the year ended June 30, 2020.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 20 to 50 years; equipment, 5 to 20 years; and vehicles, 5 to 10 years.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums and Issuance Costs

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recognized in the period that the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, OPEB related items, and pension related items. The deferred charges on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan and MPP. For this purpose, the District OPEB Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue primarily includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from federal and state grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include general obligation and lease revenue bonds, compensated absences, early retirement incentive, the aggregate net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $12,563,003 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

> **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, federal, state, and local grants and contracts.
>
> **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as state apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

> **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
>
> **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the state are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2018 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG) Grants, Direct Loans, and Federal Work-Study programs, as well as other programs funded by the federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The District has already implemented these standards prior to the current year.

New Accounting Pronouncements

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

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

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100% equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 76 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and Investments

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be the involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consist of the following:

Primary government	$ 46,837,492
Fiduciary funds	242,651
Total deposits and investments	$ 47,080,143
Cash on hand and in banks	$ 3,971,311
Cash in revolving	27,700
Cash with fiscal agent	8,968
Cash in county investment pool	43,072,164
Total deposits and investments	$ 47,080,143

Interest Rate Risk and Credit 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. District regulations require that funds that are not required for the immediate need of the District may be invested in the County Treasurer's Investment Pool, State's Local Agency Investment Fund (LAIF), or in other investments as permitted by Government Code Sections 53601, 53635, 53534, and 53648. These investments are restricted to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptance notes, commercial paper, negotiable certificated of deposit, and repurchase or reverse repurchase agreements. The District manages its exposure to interest rate risk by investing in the Santa Clara County Investment Pool. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Investment Type	Reported Value	Weighted Average Days to Maturity	Average Credit Rating
Santa Clara County Investment Pool	$ 43,072,164	517	Aaa

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2020, the District's bank balance of $791,534 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 4 - Accounts Receivable

Accounts receivable at June 30, 2020, consisted of the following:

	Primary Government
Federal Government	
Categorical aid	$ 1,119,485
State Government	
Categorical aid	111,867
Lottery	260,559
Local Sources	
Interest	135,665
Student receivables	340,126
Other local sources	1,945,784
Total	3,913,486
Less allowance for bad debt	(298,031)
Total receivables, net	$ 3,615,455

	Fiduciary Funds
Local Sources	
Interest	$ 77

Note 5 - Lease-Purchase Receivable

In November 2013, the District sold portables to Gilroy Unified School District at fair market value under a lease purchase agreement. Payments of $22,525 are due annually over a 25-year period. Future payments will be received as follows:

	Primary Government
2021	$ 22,525
2022	22,525
2023	22,525
2024	22,525
2025	22,525
2026 - 2030	112,625
2031 - 2035	112,625
2036 - 2038	67,571
Total	$ 405,446

Note 6 - Capital Assets

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Restated Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	$ 28,354,202	$ -	$ -	$ 28,354,202
Construction in progress	834,887	2,295,497	-	3,130,384
Total capital assets not being depreciated	29,189,089	2,295,497	-	31,484,586
Capital Assets Being Depreciated				
Site improvements	15,645,849	-	-	15,645,849
Buildings and improvements	104,376,735	38,508	-	104,415,243
Equipment and vehicles	10,502,133	506,965	-	11,009,098
Total capital assets being depreciated	130,524,717	545,473	-	131,070,190
Total capital assets	159,713,806	2,840,970	-	162,554,776
Less Accumulated Depreciation				
Site improvements	(1,564,337)	(754,961)	-	(2,319,298)
Buildings and improvements	(25,312,301)	(1,989,594)	-	(27,301,895)
Equipment	(8,675,739)	(1,147,944)	-	(9,823,683)
Total accumulated depreciation	(35,552,377)	(3,892,499)	-	(39,444,876)
Net Capital Assets	$ 124,161,429	$ (1,051,529)	$ -	$ 123,109,900

Depreciation expense for the year was $3,892,499.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government
Accrued payroll	$ 680,564
Apportionment	2,279,181
Construction	482,080
Vendor payables	1,279,604
Total	$ 4,721,429

	Fiduciary Funds
Vendor payables	$ 30,713

Note 8 - Tax Revenue Anticipation Notes (TRANS)

Tax revenue anticipation notes are short-term debt instruments issued to eliminate cash flow deficiencies arising from timing of revenue receipts and expense disbursements. TRAN activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
2018 2.98% TRANS	$ 7,379,396	$ -	$ (7,379,396)	$ -
2019 2.00% TRANS	-	5,980,000	(5,980,000)	-
2020 2.09% TRANS	-	4,000,000	-	4,000,000
Total	$ 7,379,396	$ 9,980,000	$ (13,359,396)	$ 4,000,000

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
State categorical aid	$ 1,695,335
Student fees	329,252
Other local	1,262,329
Total	$ 3,286,916

Note 10 - Interfund Transactions

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, there were no amounts owed between the primary government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2019-2020 fiscal year, there were no amounts transferred between the primary government and the fiduciary funds.

Note 11 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long Term Liabilities					
General obligation bonds - 2004 Election					
General obligation bonds, Series D	$ 770,000	$ -	$ (210,000)	$ 560,000	$ 255,000
General obligation refunding bonds, 2012A	8,855,000	-	(1,095,000)	7,760,000	1,235,000
General obligation refunding bonds, 2012B	10,830,000	-	(105,000)	10,725,000	110,000
General obligation refunding bonds, 2015	41,460,000	-	(820,000)	40,640,000	940,000
General obligation refunding bonds, 2017	26,820,000	-	(435,000)	26,385,000	450,000
General obligation bonds - 2018 Election					
General obligation bonds, Series A	26,600,000	-	-	26,600,000	4,275,000
General obligation bonds, Series A-1	11,400,000	-	-	11,400,000	3,675,000
2016 Lease revenue bonds	7,175,000	-	(250,000)	6,925,000	255,000
Unamortized debt premium	12,742,540	-	(959,303)	11,783,237	-
Compensated absences	911,613	153,841	-	1,065,454	-
Early retirement incentive	1,000,996	-	(200,199)	800,797	200,199
Total	$ 148,565,149	$ 153,841	$ (4,074,502)	$ 144,644,488	$ 11,395,199

Description of Debt

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. The compensated absences liability will be paid by the fund for which the employee worked. The early retirement incentive will be paid by the General Fund. The lease revenue bonds will be paid by the Measure X GO Bond Fund.

Bonded Debt

2002 General Obligation Bonds – Measure E

On March 2, 2004, the District voters authorized the issuance and sale of general obligation bonds totaling $108,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities.

In May 2011, the District issued $28,000,000 of General Obligation Bonds, Election of 2004, Series D. The Bonds mature through August 2021. Interest ranges from 2.00% to 5.75% payable semi-annually on February 1 and August 1.

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 2004 Series A General Obligation Bonds 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 2028, respectively. Interest ranges from 2.00% to 4.00% payable semi-annually on February 1 and August 1.

In August 2015, the District issued $42,320,000 of General Obligation Refunding Bonds, 2015 Series C. The Bonds were issued to partially refund the District's outstanding General Obligation Bonds, 2004 Series C and to pay the costs of issuance associated with the Bonds. The Bonds mature through August 2032. Interest rates range from 3.00% to 5.00% payable semi-annually on February 1 and August 1.

In December 2017, the District issued $27,045,000 of 2017 General Obligation Refunding Bonds. The Bonds were issued to partially refund the District's outstanding General Obligation Bonds, 2004 Series A and 2004 Series D Bonds, and to pay the costs of issuance associated with the Bonds. The Bonds mature through August 2035. Interest rates range from 2.00% to 5.00% payable semi-annually on February 1 and August 1.

2018 General Obligation Bonds – Measure X

On November 6, 2018, the District voters authorized the issuance and sale of general obligation bonds totaling $248,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities.

In April 2019, the District issued $26,600,000 of General Obligation Bonds, 2018 Series A, and $11,400,000 of General Obligation Bonds, 2018 Series A-1. The Bonds were issued to finance or to reimburse expenditures made for the acquisition, construction, modernization, and equipping of District sites and facilities; retire all of the District's 2017 Lease Agreements; make certain regularly scheduled lease payments with respect to the District's Series 2016A Lease Revenue Bonds as they become due; and pay the costs of issuing the Bonds. The 2018 Series A and Series A-1 Bonds mature through August 2035 and August 2025, respectively. Interest rates range from 2.47% to 4.00% payable semi-annually on March 1 and September 1.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Redeemed	Bonds Outstanding June 30, 2020
5/2011	8/1/2021	2.00%-5.75%	$ 28,000,000	$ 770,000	$ -	$ (210,000)	$ 560,000
4/2012	8/1/2024	2.00%-4.00%	12,120,000	8,855,000	-	(1,095,000)	7,760,000
4/2012	8/1/2028	2.00%-3.00%	11,800,000	10,830,000	-	(105,000)	10,725,000
8/2015	8/1/2032	3.00%-5.00%	42,320,000	41,460,000	-	(820,000)	40,640,000
12/2017	8/1/2035	2.00%-5.00%	27,045,000	26,820,000	-	(435,000)	26,385,000
4/2019	8/1/2035	4.00%	26,600,000	26,600,000	-	-	26,600,000
4/2019	8/1/2025	2.45%-2.85%	11,400,000	11,400,000	-	-	11,400,000
				$ 126,735,000	$ -	$ (2,665,000)	$ 124,070,000

Debt Service Requirements to Maturity

The 2004 Election General Obligation Bonds, Series D mature through 2022 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 255,000	$ 23,788	$ 278,788
2022	305,000	8,388	313,388
Total	$ 560,000	$ 32,176	$ 592,176

The 2012 General Obligation Refunding Bonds, Series A mature through 2025 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 1,235,000	$ 357,125	$ 1,592,125
2022	1,385,000	291,625	1,676,625
2023	1,550,000	218,250	1,768,250
2024	1,725,000	136,375	1,861,375
2025	1,865,000	46,625	1,911,625
Total	$ 7,760,000	$ 1,050,000	$ 8,810,000

The 2012 General Obligation Refunding Bonds, Series B mature through 2029 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 110,000	$ 372,050	$ 482,050
2022	115,000	368,675	483,675
2023	115,000	365,225	480,225
2024	120,000	361,700	481,700
2025	125,000	358,025	483,025
2026-2029	10,140,000	759,213	10,899,213
Total	$ 10,725,000	$ 2,584,888	$ 13,309,888

The 2015 General Obligation Refunding Bonds mature through 2033 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 940,000	$ 2,008,500	$ 2,948,500
2022	1,070,000	1,958,250	3,028,250
2023	1,210,000	1,901,250	3,111,250
2024	1,365,000	1,836,875	3,201,875
2025	1,575,000	1,763,375	3,338,375
2026-2030	13,730,000	7,335,750	21,065,750
2031-2033	20,750,000	1,614,500	22,364,500
Total	$ 40,640,000	$ 18,418,500	$ 59,058,500

The 2017 General Obligation Refunding Bonds mature through 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 450,000	$ 1,092,675	$ 1,542,675
2022	470,000	1,074,275	1,544,275
2023	855,000	1,047,775	1,902,775
2024	930,000	1,012,075	1,942,075
2025	1,010,000	968,225	1,978,225
2026-2030	6,530,000	3,952,675	10,482,675
2031-2035	13,805,000	1,984,063	15,789,063
2036	2,335,000	35,025	2,370,025
Total	$ 26,385,000	$ 11,166,788	$ 37,551,788

The 2018 Election General Obligation Bonds, Series A mature through 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 4,275,000	$ 978,500	$ 5,253,500
2022	5,100,000	791,000	5,891,000
2023	-	689,000	689,000
2024	-	689,000	689,000
2025	-	689,000	689,000
2026-2030	5,430,000	3,023,800	8,453,800
2031-2035	9,460,000	1,468,000	10,928,000
2036	2,335,000	46,700	2,381,700
Total	$ 26,600,000	$ 8,375,000	$ 34,975,000

The 2018 Election General Obligation Bonds, Series A-1 mature through 2026 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 3,675,000	$ 243,729	$ 3,918,729
2022	3,675,000	153,325	3,828,325
2023	1,025,000	95,391	1,120,391
2024	1,010,000	69,245	1,079,245
2025	1,010,000	42,328	1,052,328
2026	1,005,000	14,321	1,019,321
Total	$ 11,400,000	$ 618,339	$ 12,018,339

2016 Lease Revenue Bonds

In August 2016, the District issued Lease Revenue Bonds in the amount of $7,415,000. The Bonds were issued to finance certain public capital improvements for the District, purchase an issuance policy for deposit into a debt service reserve fund for the Bonds, and to pay the costs associated with the issuance of the Bonds. The District is obligated to make lease payments to the California Community Colleges Financing Authority pursuant to a Lease/Purchase Agreement. The bonds are secured by pledged revenues for (a) all amounts payable by the District pursuant to the lease, including the lease payments, as well as extensions and renewals of the term thereof, if any, including therein all amounts realized upon the enforcement of the Lease and all payments to be made thereunder (including prepayments); (b) any proceeds of Bonds originally deposited with U.S. National Bank Association and all moneys deposited and held from time to time by U.S. National Bank Association in the funds, accounts and sub-accounts established under the Indenture; (c) investment income with respect to any moneys held by U.S. National Bank Association in the funds, accounts and sub-accounts established under the Indenture. The Bonds mature through June 2041 and bear interest rate ranging from 2.00% to 3.00%.

The 2016 Lease Revenue Bonds mature through 2041 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 255,000	$ 185,625	$ 440,625
2022	265,000	177,975	442,975
2023	270,000	170,025	440,025
2024	275,000	164,625	439,625
2025	280,000	159,125	439,125
2026-2030	1,495,000	706,763	2,201,763
2031-2035	1,695,000	512,450	2,207,450
2036-2040	1,960,000	244,350	2,204,350
2041	430,000	12,900	442,900
Total	$ 6,925,000	$ 2,333,838	$ 9,258,838

Compensated Absences

At June 30, 2020, the liability for compensated absences was $1,065,454.

Early Retirement Incentive

In 2019, The Board of Trustees approved the District's Supplemental Early Retirement Plan (SERP). Each participating employee was at least 60 years of age, worked full time for at least 10 years, and the SERP was based on a one-time payment of 65% of the employee's last annual salary. The benefits will be paid through annuities by the District. At June 30, 2020, the liability for the SERP was $800,797 and will be paid through the 2023-2024 fiscal year in accordance with the following schedule:

Fiscal Year	
2021	$ 200,199
2022	200,199
2023	200,199
2024	200,200
Total	$ 800,797

Note 12 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported a net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 2,549,423	$ 203,872	$ 420,018	$ (306,033)
Medicare Premium Payment (MPP) Program	172,261	-	-	(3,272)
Total	$ 2,721,684	$ 203,872	$ 420,018	$ (309,305)

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is an agent multiple-employer defined retiree healthcare plan administered by the California Community College League Retiree Health Benefits JPA (the League), which acts as a common investment and administrative agent for its participating member employers. The League issues a publicly available financial reports that can be requested on the League's website at: https://ccleague.org/district-services/retiree-health-benefits-jpa.

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	116
Active employees	226
	342

Benefits Provided

The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Gavilan College Faculty Association (GCFA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, GCFA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2020, the District contributed $857,708 to the Plan, of which $607,708 was used for current premiums and $250,000 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

Asset Class	Target Allocation
Global equities	9.0%
Domestic equities	39.0%
Fixed Income	41.0%
Commodities	3.0%
Inflation assets	8.0%

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense was 4.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $2,549,423 was measured as of June 30, 2020, and the net OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	$ 9,181,868
Plan fiduciary net position	6,632,445
Net OPEB liability	$ 2,549,423
Plan fiduciary net position as a percentage of the total OPEB liability	72.23%

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount rate	7.00 percent
Healthcare cost trend rates	6.00 percent, decreasing to an ultimate rate of 5.00 percent

The discount rate was based on using a building-block method in which future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.

Mortality rates were based on the most recent experience study for the CalPERS pension plan. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	5.25%
Cash	4.25%
Equity	2.25%
Cash	1.75%
Fixed Income	1.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	$ 9,403,370	$ 6,356,378	$ 3,046,992
Service cost	369,880	-	369,880
Interest	654,615	-	654,615
Contributions - employer	-	857,708	(857,708)
Difference between expected and actual experience	(388,289)	-	(388,289)
Net investment income	-	285,515	(285,515)
Benefit payments	(857,708)	(857,708)	-
Administrative expense	-	(9,448)	9,448
Net change in total OPEB liability	(221,502)	276,067	(497,569)
Balance, June 30, 2020	$ 9,181,868	$ 6,632,445	$ 2,549,423

There were no changes in benefit terms or changes of assumptions since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (6.00%)	$ 3,246,679
Current discount rate (7.00%)	2,549,423
1% increase (8.00%)	1,924,946

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (5.00% decreasing to 4.00%)	$ 1,791,931
Current healthcare cost trend rate (6.00% decreasing to 5.00%)	2,549,423
1% increase (7.00% decreasing to 6.00%)	3,421,460

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of $(306,033).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 98,421	$ 332,819
Changes of assumptions	-	87,199
Net difference between projected and actual earnings on OPEB plan investments	105,451	-
Total	$ 203,872	$ 420,018

The deferred outflows and inflows of resources will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 17,823
2022	17,823
2023	49,205
2024	31,822
	$ 116,673

The deferred inflows of resources related to differences between expected and actual experience will be amortized over a closed seven-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred (Inflows) of Resources
2021	$ (55,470)
2022	(55,470)
2023	(55,470)
2024	(55,470)
2025	(55,470)
Thereafter	(55,469)
	$ (332,819)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California Education Code Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $172,261 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0463% and 0.0459%, respectively, resulting in a net increase in the proportionate share of 0.0004%.

For the year ended June 30, 2020, the District recognized OPEB expense of $(3,272).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23% of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50%. As MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 187,976
Current discount rate (3.50%)	172,261
1% increase (4.50%)	157,812

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rate:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 161,460
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	172,261
1% increase (4.7% Part A and 5.1% Part B)	193,835

Note 13 - Joint Powers Authority Risk Pools

The District participates in two Joint Powers Agreement (JPA) entities: the Statewide Association of Community Colleges Joint Powers Authority (SWACCJPA) and the Northern California Community College Pool (NCCCP).

SWACCJPA provides excess property and general liability excess coverages up to $250,000,000 and $25,000,000, respectively. The District is self-insured for claims up to $10,000.

NCCCP provides coverage up to the statutory limits for workers' compensation claim. The District is no self-insured for workers' compensation claims.

Each JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA, including the selection of management and the approval of operating budgets independent of any influence by the members beyond their representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationships between Gavilan Joint Community College District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

Separate financial statements for each JPA may be obtained from the respective entity.

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 23,616,411	$ 5,484,731	$ 2,471,870	$ 2,817,657
CalPERS	23,008,658	5,484,716	277,162	4,187,554
Total	$ 46,625,069	$ 10,969,447	$ 2,749,032	$ 7,005,211

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were $2,224,844.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share		
District's proportionate share of net pension liability	$	23,616,411
State's proportionate share of net pension liability associated with the District		12,884,329
Total	$	36,500,740

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the state, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0261% and 0.0255%, respectively, resulting in a net increase in the proportionate share of 0.0006%.

For the year ended June 30, 2020, the District recognized pension expense of $2,817,657. In addition, the District recognized pension expense and revenue of $1,918,754 for support provided by the state. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,224,844	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	213,308	896,677
Differences between projected and actual earnings on pension plan investments	-	909,711
Differences between expected and actual experience in the measurement of the total pension liability	59,619	665,482
Changes of assumptions	2,986,960	-
Total	$ 5,484,731	$ 2,471,870

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (91,760)
2022	(722,204)
2023	(149,940)
2024	54,193
Total	$ (909,711)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 450,963
2022	450,963
2023	500,254
2024	545,315
2025	(216,332)
Thereafter	(33,435)
Total	$ 1,697,728

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk mitigating strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 35,166,791
Current discount rate (7.10%)	23,616,411
1% increase (8.10%)	14,038,946

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, and the Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were $2,143,875.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $23,008,658. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0789% and 0.0793%, respectively, resulting in a net decrease in the proportionate share of 0.0004%.

For the year ended June 30, 2020, the District recognized pension expense of $4,187,554. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,143,875	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	574,205	63,751
Differences between projected and actual earnings on pension plan investments	-	213,411
Differences between expected and actual experience in the measurement of the total pension liability	1,671,353	-
Changes of assumptions	1,095,283	-
Total	$ 5,484,716	$ 277,162

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 210,658
2022	(420,785)
2023	(63,764)
2024	60,480
Total	$ (213,411)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 2,013,016
2022	990,415
2023	248,780
2024	24,879
Total	$ 3,277,090

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 33,165,468
Current discount rate (7.15%)	23,008,658
1% increase (8.15%)	14,582,883

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of state General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, in the amount of $1,345,809 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019-2020 contribution on behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

Note 15 - Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
San Benito County Campus	$ 59,023,357	05/31/24
Site Improvement, Security and Infrastructure	38,184,222	07/12/21
Library and Student Resource Center	50,455,725	06/18/25
	$ 147,663,304	

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

Note 16 - Restatement of the Prior Year Net Position

The District's beginning net position has been restated as of July 1, 2019.

The District restated the beginning net position as of July 1, 2019 to correct material misstatements in the accounts receivable, capital asset and accounts payable balances.

Primary Government	
Net Position - Beginning	$ (14,003,089)
Restatement of the District's net position due to correction of material misstatements in the previously issued financial statements:	
Overstatement prepaid expenditures	(126,191)
Overstatement accounts receivable	(385,395)
Overstatement of capital assets	(4,319,505)
Overstatement of accounts payable	1,149,192
Net Position - Beginning, as Restated	$ (17,684,988)

These restatements also resulted in the change in net position from the 2018-2019 fiscal year from $(7,893,261) to $(11,575,160).

Note 17 - Subsequent Events

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

The District issued $6,415,000 of Tax and Revenue Anticipation Notes dated July 28, 2020. The notes mature on June 30, 2021, and yield 0.34% interest. The notes were sold to supplement cash flows. The District will be responsible for making periodic repayments to the trustee during the term of the TRAN.

On October 1, 2020, the District issued the 2018 General Obligation Bonds Series B and B-1 for $40,000,000 and $65,000,000, respectively. The proceeds of the Series B and B-1 bonds will be used to finance the acquisition, construction, modernization, and equipping of District sites and facilities, prepay the California Community College Financing Authority Lease Revenue Bonds, Series 2016A maturing on and after June 1, 2022, and to pay for the costs of issuing the Series B-1 Bonds. The Series B bonds will be repaid by the District through August 1, 2050, with semi-annual interest payments at rates between 2.55% to 4.00%. The Series B-1 bonds will be repaid by the District through August 1, 2050, with semi-annual interest payments at rates between 0.427% to 4.00%.

On October 1, 2020, the District issued the General Obligation Refunding Bonds 2020 for $15,000,000. The proceeds of the bonds will be used to provide for the advance refund a portion of the District's outstanding 2012 General Obligation Refunding bonds, advance refund a portion of the District's outstanding 2012 General Obligation Refunding Bonds, Series B, and pay for the costs of issuing the 2020 Refunding bonds. The bonds will be repaid by the District through August 1, 2028, with semi-annual interest payments at rates between 0.407% to 1.826%.

Required Supplementary Information
June 30, 2020

Gavilan Joint Community College District

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 369,880	$ 341,288	$ 321,697
Interest	654,615	674,127	629,553
Changes of benefit terms	-	(579,293)	-
Differences between expected and actual experience	(388,289)	(145,333)	-
Changes of assumptions	-	164,035	-
Benefit payments	(857,708)	(681,101)	(624,011)
Net changes in total OPEB liability	(221,502)	(226,277)	327,239
Total OPEB liability - beginning	9,403,370	9,629,647	8,983,917
Total OPEB liability - ending (a)	$ 9,181,868	$ 9,403,370	$ 9,311,156
Plan Fiduciary Net Position			
Contributions - employer	$ 857,708	$ 101,139	$ 1,147,044
Net investment income	285,515	437,321	618,236
Benefit payments	(857,708)	(2,701,139)	(624,011)
Administrative expense	(9,448)	(5,867)	-
Net change in plan fiduciary net position	276,067	(2,168,546)	1,141,269
Plan fiduciary net position - beginning	6,356,378	8,524,924	6,328,859
Plan fiduciary net position - ending (b)	$ 6,632,445	$ 6,356,378	$ 7,470,128
District's net OPEB liability - ending (a) - (b)	$ 2,549,423	$ 3,046,992	$ 1,841,028
Plan fiduciary net position as a percentage of the total OPEB liability	72.23%	67.60%	80.23%
Covered-employee payroll	18,533,812	17,993,992	16,532,000
District's net OPEB liability as a percentage of covered-employee payroll	13.76%	16.93%	11.14%
Measurement date	June 30, 2020	June 30, 2019*	June 30, 2017

* An actuarial determination of the total OPEB liability with a measurement period ending on June 30, 2018 was not prepared. Therefore, the beginning balances for fiscal year 2019 does not agree to the ending balances for fiscal year 2018.

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

	2020	2019	2018
District's proportion of the net OPEB liability	0.0463%	0.0459%	0.0434%
District's proportionate share of the net OPEB liability	$ 172,261	$ 175,533	$ 191,880
District's covered payroll	N/A[1]	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.08%	-0.40%	0.01%
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

		2020		2019		2018		2017		2016		2015
CalSTRS												
District's proportion of the net pension liability		0.0261%		0.0255%		0.0240%		0.0240%		0.0240%		0.0250%
District's proportionate share of the net pension liability	$	23,616,411	$	23,895,820	$	22,195,200	$	19,411,440	$	16,157,760	$	14,609,250
State's proportionate share of the net pension liability associated with the District		12,884,329		13,444,491		13,119,823		10,881,561		8,702,245		8,896,441
Total	$	36,500,740	$	37,340,311	$	35,315,023	$	30,293,001	$	24,860,005	$	23,505,691
District's covered payroll	$	15,101,069	$	13,933,853	$	12,811,971	$	12,011,603	$	11,430,158	$	7,708,655
District's proportionate share of the net pension liability as a percentage of its covered payroll		156.39%		171.49%		173.24%		161.61%		141.36%		189.52%
Plan fiduciary net position as a percentage of the total pension liability		73%		71%		69%		70%		74%		77%
Measurement date		June 30, 2019		June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2015
CalPERS												
District's proportion of the net pension liability		0.0789%		0.0793%		0.0690%		0.0704%		0.0729%		0.0726%
District's proportionate share of the net pension liability	$	23,008,658	$	21,138,544	$	16,479,490	$	13,904,044	$	10,745,532	$	8,241,868
District's covered payroll	$	10,872,993	$	10,380,227	$	8,756,034	$	8,487,347	$	8,155,186	$	6,798,379
District's proportionate share of the net pension liability as a percentage of its covered payroll		211.61%		203.64%		188.21%		163.82%		131.76%		121.23%
Plan fiduciary net position as a percentage of the total pension liability		70%		71%		72%		74%		79%		83%
Measurement date		June 30, 2019		June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2015

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 2,224,844	$ 2,458,454	$ 2,010,655	$ 1,611,746	$ 1,288,845	$ 1,014,998
Contributions in relation to the contractually required contribution	2,224,844	2,458,454	2,010,655	1,611,746	1,288,845	1,014,998
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 13,010,784	$ 15,101,069	$ 13,933,853	$ 12,811,971	$ 12,011,603	$ 11,430,158
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 2,143,875	$ 1,963,880	$ 1,612,153	$ 1,216,038	$ 1,005,496	$ 959,947
Contributions in relation to the contractually required contribution	2,143,875	1,963,880	1,612,153	1,216,038	1,005,496	959,947
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 10,871,026	$ 10,872,993	$ 10,380,227	$ 8,756,034	$ 8,487,347	$ 8,155,186
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – There were no changes of assumptions since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.87% to 3.50% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the state's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions since the previous valuations for both CalSTRS and CalPERS.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2020

Gavilan Joint Community College District

Gavilan Joint Community College District was established in 1963. The District's boundaries covers virtually all of San Benito County and the southern portion of Santa Clara County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Rachel Perez	President	2020
Mark Dover	Vice President	2020
Irma C. Gonzalez	Clerk	2022
Jonathan Brusco	Trustee	2020
Laura Perry, Esq.	Trustee	2022
Jeanie Wallace	Trustee	2022
Edwin Diaz	Trustee	2022
Adam Lopez	Student Trustee	2020

ADMINISTRATION

Dr. Kathleen A. Rose	Superintendent/President
Kathleen Moberg	Vice President of Student Services
Michael Renzi	Vice President of Administrative Services
Denee Pescarmona	Vice President of Academic Affairs

AUXILIARY ORGANIZATION IN GOOD STANDING

Gavilan College Educational Foundation, established 1994
Master Operating Agreement revised July 1, 2020
Tony Marandos, Board President

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 6,000,974
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		119,081
Federal Work-Study Program	84.033		69,871
Federal Direct Loan	84.268		30,273
Subtotal Student Financial Assistance Cluster			6,220,199
TRIO Cluster			
Student Support Services	84.042A		206,193
Subtotal TRIO Cluster			206,193
STEM III	84.031C		892,628
Title V -Hispanic Serving Institutions	84.031S		765,478
Subtotal			1,658,106
COVID-19: Higher Education Emergency Relief Fund (HEERF) - Student Portion	84.425E		611,200
COVID-19: Higher Education Emergency Relief Fund (HEERF) - Institutional Portion	84.425F		237,981
Subtotal			849,181
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act, Perkins Title I, Part C	84.048	20-C01-018	46,195
CTE Transitions	84.048A	20-112-018	143,529
Subtotal			189,724
Passed through California Department of Education			
State Vocational Rehabilitation Services	84.126A	03578	230,950
Total U.S. Department of Education			9,354,353
U.S. Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	49,976
Child Care and Development Fund (CCDF) Cluster			
Passed through Yosemite Community College District			
Child Development Training Consortium	93.575	[1]	6,318
Subtotal CCDF Cluster			6,318
Total U.S. Department of Health and Human Services			56,294
U.S. Department of Agriculture			
Passed through The Foundation for California Community Colleges			
State Administrative Matching Grant for SNAP (Fresh Success)	10.561		265,361
Total Federal Program Expenditures			$ 9,676,008

[1] Pass-Through Identifying Number not available.

See Notes to Supplementary Information

Program	Program Entitlements Current Year	Program Entitlements Prior Year	Program Entitlements Total Entitlement	Program Revenues Cash Received	Program Revenues Accounts Receivable	Program Revenues Unearned Revenue	Program Revenues Total Revenue	Program Expenditures
AB 19 California Promise	$ 440,878	$ -	$ 440,878	$ 440,878	$ -	$ 152,526	$ 288,352	$ 288,352
AB104 Adult Education	599,751	-	599,751	599,752	-	88,557	511,195	511,195
BFAP-Financial Aid	201,847	5,145	206,992	206,992	-	23,378	183,614	183,614
CAL GRANT	855,538	-	855,538	847,183	8,355	-	855,538	855,538
CalWorks	375,343	-	375,343	347,940	14,548	20,698	341,790	341,790
CARE	183,282	-	183,282	183,282	-	-	183,282	183,282
Classified PD - Chancellor	-	23,537	23,537	23,537	-	23,537	-	-
CTC Apprenticeship Apport Excess 11/12	-	70,377	70,377	70,377	-	-	70,377	70,377
D.S.P.S. (AEC)	735,685	-	735,685	735,685	-	-	735,685	735,685
EDD - TAA Program	21,149	-	21,149	21,149	-	18,471	2,678	2,678
EOPS	736,838	-	736,838	736,838	-	-	736,838	736,838
Equal Employment Opportunity - Staff Diversity	50,000	-	50,000	50,000	-	34,693	15,307	15,307
Financial Aid Technology	43,936	161,093	205,029	205,029	-	141,481	63,548	63,548
Full-time Student Success Completion Grant	602,627	-	602,627	603,204	-	124,451	478,753	478,753
Guided Pathways	166,832	212,120	378,952	378,952	-	220,263	158,689	158,689
Hunger Free Campus Support	17,419	25,207	42,626	42,626	-	14,417	28,209	28,209
Mental Health Support	-	31,715	31,715	31,715	-	-	31,715	31,715
MESA	74,515	26,505	101,020	26,504	52,136	-	78,640	78,640
RN Enrollment Growth	147,555	-	147,555	147,555	-	26,406	121,149	121,149
Strong Workforce	1,197,581	449,297	1,646,878	1,646,879	-	678,497	968,382	968,382
Student Equity and Achievement Program	1,940,487	98,145	2,038,632	2,038,632	-	70,715	1,967,917	1,967,917
Teacher Pipeline	-	37,846	37,846	-	36,828	-	36,828	36,828
Veteran's Resource Center	58,929	29,799	88,728	88,727	-	57,245	31,482	31,482
Total State Categorical Programs				$ 9,473,436	$ 111,867	$ 1,695,335	$ 7,889,968	$ 7,889,968

See Notes to Supplementary Information

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit*	79.63	-	79.63
2. Credit	184.69	-	184.69
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit*	-	-	-
2. Credit	2.89	-	2.89
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,545.54	-	2,545.54
(b) Daily Census Contact Hours	138.04	-	138.04
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	480.27	-	480.27
(b) Credit	648.44	-	648.44
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	643.88	-	643.88
(b) Daily Census Procedure Courses	88.65	-	88.65
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	4,812.03	-	4,812.03
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	129.09	-	129.09
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	181.75	-	181.75
2. Credit	153.94	-	153.94
CCFS-320 Addendum			
CDCP Noncredit FTES	153.84	-	153.84

*Including Career Development and College Preparation (CDCP) FTES.

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 4,743,268	$ -	$ 4,743,268	$ 4,918,177	$ -	$ 4,918,177
Other	1300	5,099,692	-	5,099,692	5,109,065	-	5,109,065
Total Instructional Salaries		9,842,960	-	9,842,960	10,027,242	-	10,027,242
Noninstructional Salaries							
Contract or Regular	1200	381,324	-	381,324	3,274,308	-	3,274,308
Other	1400	212,790	-	212,790	508,422	-	508,422
Total Noninstructional Salaries		594,114	-	594,114	3,782,730	-	3,782,730
Total Academic Salaries		10,437,074	-	10,437,074	13,809,972	-	13,809,972
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	406,839	-	406,839	6,642,584	-	6,642,584
Other	2300	68,227	-	68,227	392,393	-	392,393
Total Noninstructional Salaries		475,066	-	475,066	7,034,977	-	7,034,977
Instructional Aides							
Regular Status	2200	228,590	-	228,590	315,264	-	315,264
Other	2400	112,926	-	112,926	119,290	-	119,290
Total Instructional Aides		341,516	-	341,516	434,554	-	434,554
Total Classified Salaries		816,582	-	816,582	7,469,531	-	7,469,531
Employee Benefits	3000	4,360,277	-	4,360,277	9,095,392	-	9,095,392
Supplies and Material	4000	218,680	-	218,680	294,686	-	294,686
Other Operating Expenses	5000	2,055,481	-	2,055,481	6,325,824	-	6,325,824
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		17,888,094	-	17,888,094	36,995,405	-	36,995,405

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and	5900	$ -	$ -	$ -	$ 803,541	$ -	$ 803,541
Student Health Services Above Amount	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
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	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 946,087	$ -	$ 946,087
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	1,749,628	-	1,749,628
Total for ECS 84362, 50 Percent Law		$ 17,888,094	$ -	$ 17,888,094	$ 35,245,777	$ -	$ 35,245,777
Percent of CEE (Instructional Salary		50.75%		50.75%	100.00%		100.00%
50% of Current Expense of Education					$ 17,622,889		$ 17,622,889

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements.

	Unrestricted General Fund	Restricted General Fund	Capital Outlay Projects Fund	Internal Service Fund
FUND BALANCE				
Balance, June 30, 2020, (CCFS-311)	$ 1,027,126	$ 108,338	$ 958,901	$ (760,479)
Increase in:				
Cash in county treasury	1,202,952	-	-	-
Prepaid expenses	(126,191)	-	-	-
Accounts payable	(26,494)	-	(496)	(572)
Unearned revenue	(496,634)	-	-	-
Decrease in:				
Cash in county treasury	-	-	(1,200,000)	-
Cash in bank	(409,891)	-	-	-
Accounts receivable	(89,272)	(296,123)	-	-
Accounts payable	-	120,337	-	-
Balance, June 30, 2020, Audited	$ 1,081,596	$ (67,448)	$ (241,595)	$ (761,051)

	Associated Students Fund	Student Body Center Fee Fund	Student Financial Aid Fund
FUND BALANCE			
Balance, June 30, 2020, (CCFS-311)	$ 196,417	$ 16,140	$ 11,574
Decrease in:			
Cash in county treasury	-	(1,046)	-
Accounts receivable	-	-	(27,945)
Accounts payable	504	-	-
Balance, June 30, 2020, Audited	$ 196,921	$ 15,094	$ (16,371)

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	8630				$ 2,590,784
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 2,590,784	-	-	$ 2,590,784
Total Expenditures for EPA		$ 2,590,784	-	-	$ 2,590,784
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the statement of net position are different because:	
Total Fund Balance	
General Funds	$ 1,014,148
Special Revenue Funds	22,526
Capital Project Funds	22,929,360
Debt Service Funds	15,255,990
Internal Service Funds	(761,051)
Fiduciary Funds	(16,371)
Total fund balance - all District governmental funds	38,444,602
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	162,554,776
Accumulated depreciation is	(39,444,876)
	123,109,900
In governmental funds, lease receivables are recognized in the period when it is received. On the government-wide statements, lease receivables are recognized when they are incurred.	405,446
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	(2,692,987)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources amount to and related to:	
Deferred charges on refunding	5,879,418
Aggregate net other postemployment benefits (OPEB) liability	203,872
Aggregate net pension liability	10,969,447
Total deferred outflows of resources	17,052,737

Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to:	
Aggregate net OPEB liability	$ (420,018)
Aggregate net pension liability	(2,749,032)
Total deferred inflows of resources	(3,169,050)
Aggregate net OPEB liability is not due and payable in the current period, less amount already reported as liability in the funds.	(2,721,684)
Aggregate net pension liability is not due and payable in the current period, and is not reported as liability in the funds.	(46,625,069)
Long-term obligations at year-end consist of:	
General obligation bonds	(142,778,237)
Compensated absences	(1,065,454)
Early retirement incentive	(800,797)
	(144,644,488)
Total net position	$ (20,840,593)

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2020.

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30,2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the schedule of expenditures of federal awards. The reconciling amounts consist primarily of Federal Pell Grant Program and Federal Direct Student Loan funds have been recorded in the prior period as revenues and that have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position		$ 9,648,313
Federal Pell Grant Program	84.063	7,689
Federal Direct Student Loans	84.268	20,257
Federal Supplemental Educational Opportunity Grant	84.007	(251)
Total Expenditures of Federal Awards		$ 9,676,008

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of state funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50% of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Independent Auditor’s Reports
June 30, 2020

Gavilan Joint Community College District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Gavilan Joint Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 30, 2021.

Emphasis of Matter - Correction of Errors in Previously Issued Financial Statements

As discussed in Note 16 to the financial statements, certain errors resulting in material misstatements of amounts previously reported for capital assets, accounts receivable, and accounts payable as of June 30, 2019, were discovered by the auditors during the audit of the current year. Accordingly, amounts reported for capital assets, accounts receivable, and accounts payable have been restated in the June 30, 2020 financial statements now presented, and an adjustment has been made to the District's net position as of July 1, 2019, to correct the errors. Our opinion is not modified with respect to that matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Gavilan Joint Community College District's Responses to Findings
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Eide Bailly LLP

Rancho Cucamonga, California
April 30, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-003 through 2020-006. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-005 and 2020-006 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-003 ad 2020-004 to be significant deficiencies

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Eide Bailly LLP

Rancho Cucamonga, California
April 30, 2021

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

Report on State Compliance
We have audited Gavilan Joint Community College District's (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance of each of the District's state programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit 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 standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested
In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following:

Section 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program

Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District received no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to To Be Arranged Hours (TBA) for Apportionment funding; therefore, the compliance tests within this section were not applicable.

The District received no funding through Propositions 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Basis for Qualified Opinion on Section 424 - Student Centered Funding Formula Base Allocation: FTES
As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Section 424 - Student Centered Funding Formula Base Allocation: FTES, as identified in finding 2020-007. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Section 424 - Student Centered Funding Formula Base Allocation: FTES
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to in the table above for the year ended June 30, 2020.

Unmodified Opinion for Each of the Other Programs
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2020, except as described in the State Awards Findings and Questioned Costs section of the accompanying schedule of findings and questioned costs.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 California Community College Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
April 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Fund (HEERF) - Student Portion	84.425E
COVID-19: Higher Education Emergency Relief Fund (HEERF) - Institutional Portion	84.425F

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Qualified

Unmodified for all State awards except for the following program which was qualified:

Name of State Award
Section 424 - Student Centered Funding Formula Base Allocation: FTES

The following findings represent material weaknesses and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2020-001 Financial Reporting and Closing Process

Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Material Weakness - Adjustments and reclassifications were required to conform to the BAM and GAAP during the District's closing process. A deficiency in the District's internal control system to produce materially accurate financial statements was encountered by the audit staff. Observations and corrections were made to the various accounts included below, but not limited to:

- Unreconciled accruals from prior years recorded in the accounts receivable, accounts payable ledgers required material adjustments to ensure accuracy of account balances.
- The unearned revenue account required material adjustment to be fairly stated.
- The apportionment revenue account required adjustment due to the District not taking into account the differences between the amounts certified on Exhibit C versus the amounts realized for student enrollment fees and property taxes.
- The Construction in Progress account was not being reconciled to reflect construction projects as of year-end. The account details contained amounts for completed projects, repairs, and maintenance, as well as reconciling amounts from prior years with no supporting detail or project identification.
- The District was unable to prepare accurate financial reports as required. The CCFS-311 submitted to the Chancellor's Office in January 2021 contained several material errors and omissions.
- The Internal Service, Capital Outlay Projects, and Student Financial Aid Funds had a negative cash and ending fund balances at June 30, 2020 representing an encroachment on the General Fund of the District.
- It was noted that the Payroll Account contained several duplicate transfer entries between this account and the Cash in County Account and one transfer from June of 2019 had not been posted to Banner. Unposted vendor payments out of the account were unrecorded at year-end requiring an adjustment. In addition, there was a lack of evidence that the District's bank account reconciliations were being reviewed.

Questioned Costs

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

Context

The District maintains individual funds with asset and liability balances subject to the reconciliation process. The net impact to the individual funds is included on the Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements schedule within the supplementary information section of this report.

Effect

Many adjustments to the general ledger were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented in accordance with generally accepted accounting principles.

Cause

Ineffective oversight over the District's financial reporting and lack of monitoring the controls over the individual asset and liability accounts and the closing process appear not to have been adhered to.

Repeat finding: No

Recommendation

The District should develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year-end. Cash and ending fund balances should be monitored for negative balances.

View of Responsible Officials and Corrective Action Plan

The District will review its existing closing calendar and procedures will be modified or developed as needed. The Supervisor, Fiscal Services will ensure that the District staff accountants are engaging in monthly general ledger and bank account reconciliations. Back-up for all reconciliations will be reviewed monthly by the Supervisor to ensure accuracy and compliance.

2020-002 Financial Condition of the District

Criteria or Specific Requirement

Pursuant to *Education Code* Section 84040, the Board of Governors is required to adopt criteria and standards for the periodic assessment of the fiscal condition of California community college districts. The main criteria for assessment will be the percentage of unrestricted General Fund balance to all expenditures and other outgo of unrestricted General Fund. The minimum prudent unrestricted General Fund balance is 5% for community colleges. This minimum prudent level is considered necessary to ease cash flow problems, to deal with unexpected cost increases, and other fiscal uncertainties. If a district falls below this minimum prudent level, further review will be performed to determine if any fiscal problems exist.

Condition

Material Weakness - For the fiscal year ending June 30, 2020, the District's unrestricted General Fund expenditures and other financing uses exceeded the District's revenues and other financing sources by $1,850,412. The District ended the 2019-2020 year with $1,081,596 in available reserves, which was comprised of unassigned balances held in the unrestricted General Fund. This amount represented 2.71% of the District's total expenditures and other financing uses.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's reserve balances and the District's adopted budget for the fiscal year ending June 30, 2021. For the fiscal year ending June 30, 2020, the District's unrestricted General Fund operating deficit caused a 63% decline in the unrestricted General Fund ending fund balance. Based on the District's adopted budget for the fiscal year ending June 30, 2021, the District is projecting an operating surplus for the unrestricted General Fund that will cause an approximate 20% increase in the unrestricted General Fund ending fund balance.

Effect

The District is below the required reserves as stipulated by the Board of Governors.

Cause

The District's internal control system did not adequately monitor the fiscal condition of the District in order to keep the District above the 5% reserve requirement. The significant factors contributing to the District's condition include the following:

1) Decline in total computational revenues caused by the implementation of the Student Centered Funding Formula.
2) Increasing cost of payroll and benefits. These costs have increased by approximately 35% since the 2016-2017 fiscal year.
3) Decline in FTES since the 2016-2017 due to overall economy and COVID-19 resulting in an overall loss of 550 FTES or 10.4%.

Repeat Finding: No

Recommendation

The District must continue to actively monitor its budget to actual results to ensure that the District can maintain adequate unrestricted General Fund reserves. More importantly, the District should develop a more aggressive fiscal management and budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan should incorporate adequate expenditure mitigation objectives that can create an additional layer of "cushion" beyond the minimum reserve requirement. This will allow the District to accommodate future uncertainties in operational variances without impairing the District's reserves.

View of Responsible Officials and Corrective Action Plan

The District will review the FCMAT technical report and create a fiscal management and budget stabilization plan based on the recommendations from that report. Special attention will be paid to restoring and maintaining an adequate unrestricted General Fund reserve.

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2020-003 Reporting

Program Name: COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion
CFDA Number: 84.425E
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award and update that information every 45 days thereafter. This Section also requires that institutions to report "The estimated total students at the institution eligible to participate in programs under Section 484 in title IV of the Higher Education Act of 1965 and thus eligible to receive Emergency Financial Aid Grants to Students under Section 18004(a)(1) of the CARES Act".

Condition

Significant Deficiency in Internal Control over Compliance and Noncompliance - During our testing over reporting for the Student Portion, we noted that the report required to be publicly available 30 days following the award becoming available was late by 60 days and therefore, the District did not meet the timeliness requirement. We also noted that the District did not disclose the number of estimated number of students eligible to receive Emergency Financial Aid Grants to Student under Section 18004(a)(1) of the CARES Act. The number of students who received emergency aid and the amount disbursed as reported on the website, did not agree with District records.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The District had one report for the Higher Education Emergency Relief Funds, Student Portion due within the year ending June 30, 2020.

Effect

The District's 30 day report was uploaded to their website 60 days late and did not disclose all of the required information.

Cause

There was a lack of oversight for the student aid portion reporting for both meeting the required reporting deadline and reporting elements.

Repeat Finding: No

Recommendation

The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures are in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.

View of Responsible Officials and Corrective Action Plan

District Administration will move and update the existing HEERF reporting website to meet the reporting requirements. The website will move to the Financial Aid department; staff in Financial Aid will ensure accurate and timely reporting of student aid in accordance with Federal guidelines on the revised website. District Administration (Executive Vice President) will ensure timely reporting internally and externally as it relates to HEERF student and institutional portion expenditures. Quarterly and annual reports for HEERF will be posted to the website within the required timeframe.

2020-004 Reporting

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007,84.003, 84.063, and 84.268
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

Common Origination and Disbursement (COD) System (OMB No. 1845-0039) – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Institutions submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition

Significant Deficiency in Internal Control over Compliance - The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. One of the 60 student disbursements tested was reported to COD in 23 days after the disbursement.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

The District processed and reported approximately $6,000,974 in Pell grants to 1,690 students during the year.

Effect

The District is not in compliance with the federal reporting requirements described in the OMB Compliance Supplement.

Cause

The District did not report student disbursement records to COD on a timely basis.

Repeat Finding: No

Recommendation

The District should review their procedures and control procedures over COD reporting to ensure timely reporting within the 15-calendar day requirement.

View of Responsible Officials and Corrective Action Plan

The Financial Aid Director and Financial Aid technical analyst, in conjunction with the IT programmer analyst, following the established disbursement calendar, will review Common Origination and Disbursement procedures and control procedures to ensure timely reporting within the 15-calendar day requirement.

2020-005 Special Tests and Provisions – Enrollment Reporting

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007,84.003, 84.063, and 84.268
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institution's Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information; "Campus Level" and "Program Level," both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition

Material Weakness in Internal Control over Compliance - During testing over the NSLDS reporting requirements, it was noted that many student enrollment and program enrollment updates were not timely or accurately to NSLDS. The following are the specific circumstances noted:

- Ten of 60 student enrollment changes tested were noted to have an inconsistent effective date between the college's system and NSLDS.
- Seven of 60 student enrollment changes tested were reported to NSLDS with an inaccurate enrollment status or no update was made for a particular enrollment change.
- It was noted that no program or enrollment records were reported to NSLDS for one of 60 students tested.
- 44 of 60 student enrollment changes tested were not reported to NSLDS in the required timeframe.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

Gavilan College disbursed financial aid to approximately 1,700 students in the 2019-2020 fiscal year that required student enrollment and program enrollment reporting to NSLDS.

Effect

The District is not in compliance with the federal enrollment reporting requirements described in the OMB Compliance Supplement.

Cause

The District did not report enrollment information for students under the Pell grant and Direct and FFEL loan programs via NSLDS timely or accurately. The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions.

Repeat Finding: No

Recommendation

The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

View of Responsible Officials and Corrective Action Plan

The Financial Aid Director and Financial Aid staff evaluator, in conjunction with the IT programmer and institutional researcher, following the established reporting calendar, will review enrollment reporting procedures and control procedures to ensure timely and accurate reporting to NSLDS.

2020-006 Special Tests and Provisions – Gramm-Leach-Bliley Act

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007,84.003, 84.063, and 84.268
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

The Gramm-Leach-Bliley Act (Public Law 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data (16 CFR 314). The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act because they appear to be significantly engaged in wiring funds to consumers (16 CFR 313.3(k)(2)(vi). Under an institution’s Program Participation Agreement with the ED and the Gramm-Leach-Bliley Act, institutions must protect student financial aid information, with particular attention to information provided to institutions by ED or otherwise obtained in support of the administration of the federal student financial aid programs (16 CFR 314.3; HEA 483(a)(3)(E) and HEA 485B(d)(2)).

Condition

Material Weakness in Internal Control over Compliance - The District did not perform a student information security risk assessment as required by the Gramm-Leach-Bliley Act.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

The District processed awards for approximately 1,700 students in 2019-2020 and stores student records for several prior year financial aid student records.

Effect

The District is out of compliance with 16 CFR 314.4 (b).

Cause

The District did not implement policies and procedures to comply with student information security required by the Gramm-Leach-Bliley Act.

Repeat Finding: No

Recommendation

It is recommended the District designate a person or agency to perform the proper risk assessment required by the Gramm-Leach-Bliley Act to ensure the security of student information.

View of Responsible Officials and Corrective Action Plan

The Director of IT and the IT department will designate an agency to perform the proper risk assessment required by the Gramm-Leach-Bliley Act to ensure the security of student information.

The following finding represents instances of noncompliance and/or questioned costs relating to compliance with state laws and regulations.

2020-007 Section 424 – Student Centered Funding Formula Base Allocation: FTES

Criteria or Specific Requirement

California Code of Regulations, Title 5, Sections 58020-24, continues to require the district to maintain detailed documentation to substantiate the data reported on the CCFS-320. Each districts governing board is required to adopt procedures to document all course enrollment, attendance and disenrollment as required by California Code of Regulations, Title 5, Sections 58020-58024. Pursuant to Title 5, Section 58030, these procedures shall include rules for retention of support documentation that would enable independent determination of the accuracy of data submitted by the district as a basis for state support.

Condition

Of the 100 courses selected for audit recalculation for the fiscal year from the P1-CCFS 320 Apportionment Attendance Report, two courses were not calculated correctly based on prescribed guidance from the Student Attendance Accounting Manual. These courses were actual hours of attendance type courses. The miscalculation resulted in an overstatement of contact hours and, consequently, the amount of FTES claimed for funding.

Questioned Costs

The auditor extrapolated the error rate over the population related to the type of courses identified in the Condition. The extrapolation resulted in an overstatement of 1,037.52 contact hours (1.9762 FTES) for actual hours of attendance courses.

Context

The District claimed a total of 4,252.13 credit factored FTES on the CCFS-320 P1 Report. The overstatement of 1.9762 credit FTES constitutes a 0.046% overstatement.

Effect

The FTES reported on the CCFS-320 P1 Report was overstated by 1.9762 credit FTES.

Cause

The District accounted for these courses using a 60-minute clock hour calculating contact hours instead of a 50-minute clock hour.

Repeat Finding: Yes. See 2019-004.

Recommendation

The District should ensure that their system of calculating contact hours to reflect guidance provided by the Chancellor's Office and monitor the calculation to prevent future miscalculations in FTES.

View of Responsible Officials and Corrective Action Plan

District Administration (Deans and Executive Vice President) will work with faculty teaching actual hour (positive attendance) courses to ensure accurate attendance procedures are adhered to and that accurate records are maintained and submitted as part of the end of semester process. Additionally, the District staff (division assistants) will review and audit all actual hour (positive attendance) courses each term to ensure that they are appropriately entered into the District's information system. The District will improve professional development and training for faculty related to daily attendance procedures, particularly connected to the 50-minute contact hour. Additionally, the District will conduct an audit and review of all contact hour courses to ensure that contact hours are correctly calculated prior to publication of the schedule of classes in accordance with the enrollment management plan timeline.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of findings and questioned costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

2019-001 State General Apportionment Funding System - Weekly Attendance

Criteria

According to California Code of Regulations, Title V, Section 58003.1, weekly student contact hours reported for each class should be the product of the number of students actively enrolled at weekly census times the number of units of academic credit associated with the class.

Condition

We noted one weekly course was not calculated at the correct amount of contact hours.

Questioned Costs

The total overreported weekly attendance census FTES for residents in credit courses identified above is 0.090 FTES, which based on the District's funding per credit FTES, is equal to $335.43. The total FTES sample is 60.26 FTES; therefore, 0.15% of the sample was calculated to have an actual overreporting misstatement. With the total population of weekly FTES of 2,476.27 and $3,727 total credit per FTES, the extrapolation of the error in the audit results in projection of approximately 3.699 overstated FTES which is equal to $13,784.59.

The Recal Apportionment Attendance Report (CCFS-320) does include an adjustment for the effect of this finding.

Context

Out of 25 weekly classes tested, one course was identified that was not reported at the correct amount of contact hours. Contact hours were incorrectly calculated due to human error. It appears there was a lack of proper review prior to reporting.

Effect

The difference between the reported and recalculated FTES for courses noted:

<u>Gilroy Campus:</u>

- Credit courses, residents - 0.090 FTES (overreported)
- Credit courses, nonresidents - 0.000 FTES

Recommendation

We recommend that the District remind instructors about the required methods to calculate contact hours for courses using weekly attendance procedures. Additionally, we recommend that an internal review be performed of weekly classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.

Current Status

Implemented.

2019-002 State General Apportionment Funding System - Daily Census Courses

Criteria

According to California Code of Regulations, Title V, Section 58003.1 (c), for credit courses scheduled to meet for five or more days and scheduled regularly with respect to the number of hours each scheduled day, but not scheduled conterminously with the college's primary term established pursuant to subdivision (b), or scheduled during the summer or other intersession, the units of full time equivalent student (FTES), exclusive of independent study and cooperative work-experience education courses, shall be computed by multiplying the daily student contact hours of active enrollment as of the census days nearest to one-fifth of the length of the course by the number of days the course is scheduled to meet, and dividing by 525.

Condition

We noted one daily course was not reported at the correct amount of contact hours due to human error.

Questioned Costs

The total overreported daily census FTES for residents in credit courses identified above is 0.050 FTES, which based on the District's funding per credit FTES, is equal to $186.35. The total FTES sample is 23.38 FTES; therefore, 0.21% of the sample was calculated to have an actual overreporting misstatement. With the total population of daily attendance FTES of 95.50 and the $3,727 total credit per FTES, the extrapolation of the error in the audit results in a projection of approximately 0.204 overstated FTES which is equal to $761.25.

The Recal Apportionment Attendance Report (CCFS-320) does include an adjustment for the effect of this finding.

Context

Out of 20 daily attendance courses tested, one course was identified that was not reported at the correct amount of contact hours. This incorrect reporting was a result of human error and a lack of proper review prior to reporting.

Effect

The difference between the reported and recalculated FTES for the course noted:

Gilroy Campus:

- Credit courses, residents - 0.050 FTES (overreported)
- Credit courses, nonresidents - 0.000 FTES

Recommendation

We recommend that the District remind instructors about the required methods to calculate contact hours for courses using daily attendance procedures. Additionally, we recommend that an internal review be performed of daily classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.

Current Status

Implemented.

2019-003 State General Apportionment Funding System - Alternative Attendance

Criteria

According to California Code of Regulations, Title V, Section 58003.1 (f), all distance education and hybrid courses that do not qualify for other attendance accounting procedures such as weekly or daily census will follow the alternative attendance procedures. The weekly student contact hours reported for each class should be the product of the number of students actively enrolled at weekly census times the number of units of academic credit associated with the class.

Condition

We noted one weekly alternative attendance course was not reported at the correct amount of Contact Hours.

Questioned Costs

The total overreported weekly alternative attendance census FTES for residents in credit courses identified above is 1.020 FTES, which based on the District's funding per credit FTES, is equal to $3,801.54. The total FTES sample is 193.01 FTES; therefore, 0.53% of the sample was calculated to have an actual overreporting misstatement. With the total population of alternative attendance FTES of 193.01 and the $3,727 total credit per FTES, the extrapolation of the error in the audit results in projection of approximately 4.077 overstated FTES which is equal to $15,196.40.

The Recal Apportionment Attendance Report (CCFS-320) does include an adjustment for the effect of this finding.

Context

Out of 25 independent study classes tested, one course was identified that was not reported at the correct amount of contact hours. Contact hours were incorrectly calculated due to human error. It appears there was a lack of proper review prior to reporting.

Effect

The difference between the reported and recalculated FTES for the course noted:

<u>Gilroy Campus:</u>

- Credit courses, residents - 1.020 FTES (overreported)
- Credit courses, nonresidents - 0.000 FTES

Recommendation

We recommend that the District remind instructors about the required methods to calculate contact hours for courses using alternative attendance procedures. Additionally, we recommend that an internal review be performed of alternative attendance classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.

Current Status

Implemented.

2019-004 State General Apportionment Funding System - Actual Hours of Attendance

Criteria

According to California Code of Regulations, Title V, Section 58003.1 (e), the Actual Hours of Attendance procedure is based on an actual count of students present at each class meeting, and applies to certain types of courses, including open entry/open exit courses. Attendance for open entry/open exit courses is to be tracked based on actual minutes attended by individual students in the courses, dividing by 50 minutes to obtain contact hours, and then dividing by 525 hours to obtain the FTES for such courses.

Condition

We noted two actual hours of attendance courses were not reported at the correct amount of contact hours due to human error.

Questioned Costs

The total overreported daily census FTES for residents in credit courses identified above is 0.150 FTES, which based on the District's funding per credit FTES, is equal to $559.05. The total FTES sample is 15.45 FTES; therefore, 0.97% of the sample was calculated to have an actual overreporting misstatement. With the total population of actual hours of attendance FTES of 672.51 and the $3,727 total credit per FTES, the extrapolation of the error in the audit results in projects approximately 6.530 overstated FTES which is equal to $24,336.88.

The Recal Apportionment Attendance Report (CCFS-320) does include an adjustment for the effect of this finding.

Context

Out of 25 actual hours of attendance courses tested, two courses were identified that were not reported at the correct amount of contact hours. Contact hours were incorrectly calculated due to human error. It appears there was a lack of proper review prior to reporting.

Effect

The difference between the reported and recalculated FTES for courses noted:

<u>Gilroy Campus:</u>

- Credit courses, residents - 0.150 FTES (overreported)
- Credit courses, nonresidents - 0.000 FTES

Recommendation

We recommend that the District remind instructors about the required methods to calculate contact hours for courses using actual hours of attendance procedures. Additionally, we recommend that an internal review be performed of actual hours of attendance classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.

Current Status

Not implemented. See current year finding 2020-007.

2019-005 State General Apportionment Funding System- Course Outline of Record

Criteria

According to California Code of Regulations, Title V, Section 55002 (3), a community college shall maintain a course outline of record in the official college files that describes the course, including the unit value, the expected number of contact hours for the course as a whole, and other relevant information. Scheduling of courses should be consistent with the total contact hours indicated in the approved course outline of record, with the exception of reasonable variances due to legitimate scheduling considerations such as schedule compression.

Condition

One daily course offered by the District was listed in the course outline of record incorrectly and therefore did not match the class schedule.

Questioned Costs

There is no financial impact for this exception, as the FTES was correctly calculated based on regularly scheduled hours of the course, and not the course outline of record.

Context

A class's schedule was not consistent with the hours listed in the course outline of record for 1 out of 25 daily census classes tested.

Effect

There is no impact on FTES for this exception, as the FTES was correctly calculated based on regularly scheduled hours of the course, and not the course outline of record.

Recommendation

We recommend that the District compare the actual contact hours of courses with the course outline of record to identify and correct differences between the approved course description and the actual scheduling of the course.

Current Status

Implemented.