

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GENERAL OBLIGATION BONDS
FINANCIAL REPORT**

JUNE 30, 2004

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

BOND CONSTRUCTION FUND

TABLE OF CONTENTS

JUNE 30, 2004

| | |
|---|---|
| Independent Auditors' Report | 1 |
| FINANCIAL STATEMENTS | |
| Building Fund – Bond Resource | |
| Balance Sheet | 2 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 3 |
| Notes to Financial Statements | 4 |



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Citizen's Fiscal Oversight Committee
And Governing Board
Gavilan Joint Community College District
Gilroy, California

We have audited the accompanying financial statements of the Bond Construction fund of the Gavilan Joint Community College District, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Bond Construction fund, and do not purport to, and do not, present fairly the financial position and results of operations of the Gavilan Joint Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Construction fund, of the Gavilan Joint Community College District at June 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co. LLP

Pleasanton, California
January 14, 2005

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

BOND CONSTRUCTION FUND

BALANCE SHEET

JUNE 30, 2004

ASSETS

| | |
|----------------------|----------------------|
| Cash and investments | \$ 26,192,392 |
| Accounts receivable | 174,444 |
| Total Assets | <u>\$ 26,366,836</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|-------------------|---------------|
| Accounts payable | \$ 13,030 |
| Total Liabilities | <u>13,030</u> |

FUND EQUITY

| | |
|--------------------------------------|----------------------|
| Fund balances | |
| Undesignated | 26,353,806 |
| Total Fund Equity | <u>26,353,806</u> |
| Total Liabilities and Fund Equity | <u>\$ 26,366,836</u> |

AGREED UPON

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**BOND CONSTRUCTION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004**

| | |
|---|---------------|
| REVENUES | |
| Local revenues | \$ 164,456 |
| Interest income | 9,988 |
| Total Revenues | 174,444 |
| EXPENDITURES | |
| Current Expenditures | |
| Books and supplies | 3,700 |
| Services and operating expenditures | 177,966 |
| Total Expenditures | 181,666 |
| EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES | (7,222) |
| OTHER FINANCING SOURCES/(USES) | |
| Bond proceeds, net of premiums | 30,728,130 |
| Transfer to refunding bond escrow accounts | (3,625,796) |
| Transfers required to fund reserve accounts | (202,485) |
| Issuance costs | (538,821) |
| Total Other Financing Sources/(Uses) | 26,361,028 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES | 26,353,806 |
| FUND BALANCE, BEGINNING OF YEAR | - |
| FUND BALANCE, END OF YEAR | \$ 26,353,806 |

AGREED UPON

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

BOND CONSTRUCTION FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Gavilan Joint Community College District Bond Construction fund conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Gavilan Joint Community College District Bond Construction fund, accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The financial statements include only the Bond Construction fund of the Gavilan Joint Community College District. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2004. The authorized issuance amount of the bonds is \$108,000,000. The first and second series of bonds in the amounts of \$29,170,000 and \$830,000 have been sold. These financial statements are not intended to present fairly the financial position and results of operations of the Gavilan Joint Community College District in compliance with accounting principles generally accepted in the United States of America.

B. Fund Accounting

The operations of the Bond Construction fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Gavilan Joint Community College District Bond Construction fund are accounted for under the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

D. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. No amounts were reserved or designated at June 30, 2004.

AGREED UPON

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

BOND CONSTRUCTION FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

E. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. The County of Santa Clara collects supplemental taxes for repayment of bond proceeds from all taxable property within the District. 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 for the District. The District recognizes tax revenues when received. The tax revenues collected for repayment of the bonds is accumulated in the bond interest and redemption fund of the Gavilan Joint Community College District, which has not been included in these financial statements.

F. Use of Estimates

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

NOTE #2 – INVESTMENTS

Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000. The District is also authorized 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.

Deposits with the County Treasury are not categorized to assess risk because they do not represent securities, which exist in physical or book entry form. The deposits with county treasury are valued using the amortized cost method (which approximates fair value). The fair value was provided by the county for their respective pool.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**BOND CONSTRUCTION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Investments at June 30, 2004, held on behalf of the Gavilan Joint Community College District Bond Construction fund consist of the following:

| | Reported Amount | Fair Value |
|--------------------------------|----------------------|----------------------|
| Deposits with county treasurer | <u>\$ 26,192,362</u> | <u>\$ 26,068,141</u> |

NOTE #3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2004, consist of the following:

| | |
|----------|-------------------|
| Interest | \$ 9,988 |
| Other | 164,456 |
| | <u>\$ 174,444</u> |

NOTE #4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2004, consists of the following:

| | |
|-----------------|------------------|
| Vendor payables | \$ 13,030 |
| Total | <u>\$ 13,030</u> |

AGREED UPON

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**BOND CONSTRUCTION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #5 – LONG-TERM DEBT

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the Gavilan Joint Community College District.

General obligation bonds have been issued and are outstanding as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Beginning Of Year | Issued | Redeemed | End Of Year |
|------------|---------------|---------------|----------------|-------------------|--------------|----------|--------------|
| 6/10/04 | 8/1/2028 | 2.0-5.0% | \$29,170,000 | \$ - | \$29,170,000 | \$ - | \$29,170,000 |
| 6/10/04 | 8/1/2006 | 3.0-3.5% | \$ 830,000 | - | 830,000 | - | 830,000 |
| | | | | \$ - | \$30,000,000 | \$ - | \$30,000,000 |

Debt Service Requirements

The general obligation bonds mature through 2029 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|---------------|----------------------|---------------|
| 2005 | \$ - | \$ - | \$ - |
| 2006 | 1,065,000 | 1,567,696 | 2,632,696 |
| 2007 | 1,465,000 | 1,401,263 | 2,866,263 |
| 2008 | 1,625,000 | 1,370,063 | 2,995,063 |
| 2009 | 135,000 | 1,321,313 | 1,456,313 |
| 2010-2014 | 195,000 | 1,317,263 | 1,512,263 |
| 2015-2019 | 2,105,000 | 6,426,744 | 8,531,744 |
| 2020-2024 | 4,565,000 | 5,788,832 | 10,353,832 |
| 2025-2029 | 18,845,000 | 5,825,186 | 24,670,186 |
| Total | \$ 30,000,000 | \$ 25,018,360 | \$ 55,018,360 |

AGREED UPON