GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

GILROY, CALIFORNIA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2019

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

ORGANIZATION
YEAR ENDED JUNE 30, 2019

DESCRIPTION OF DISTRICT

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

The Board of Trustees and District Administration for the fiscal year ended June 30, 2019, were composed of the following members:

BOARD OF TRUSTEES

Name	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
Wade W. Ellis, CPA	Associate Vice President, Business Services & Security
Dr. Eric Ramones	Associate Vice President, Human Resources & Labor Relations
Jan Bernstein Chargin	Director of Public Information
Susan Sweeney	Director of Community and Contract Education
Sherrean Carr	Dean of Career Technical Education
Frances Lozano	Dean of Liberal Arts and Sciences
Ron Hannon	Dean of Kinesiology and Athletics
Dr. Peter Wruck	Dean of Research, Planning, and Institutional Effectiveness
Vacant	Interim Associate Dean, Accessible Education Center
Dr. Randy Brown	Associate Dean, Community Development & Grants Management
Carina Cisneros	Associate Dean, EOPS, CalWORKs, & CARE

FINANCIAL SECTION

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 the Gavilan Joint Community College District (the District) as of and for the year ended June 30, 2019, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 Gavilan Joint Community College District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedules of the District's Pension Contributions, as listed in the table of contents, 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 basic financial statements. The Supplementary Information Section as listed in the table of contents, is presented for purposes of additional analysis and is 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 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office, and is not required to be a part of the basic financial statements.

The Supplementary Information section is the responsibility of management and was derived from and relates 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 Supplementary Information section is 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 Month xx, 2020, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

GILBERT CPAs
Sacramento, California

Month xx, 2020

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, 2019. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, and Statement of Cash Flows, and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

DISTRICT BACKGROUND

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 the fall of 2019, Gavilan College celebrated its 100th year of operation as a community college.

Gavilan College is one of 115 California Community Colleges that are organized into 73 districts which are political subdivisions authorized by the Constitution of the State of California. A seven-member board of trustees governs the Gavilan Joint Community College District. The voters of the communities served by the district elect board members to office. The Board of Trustees is responsible for the overall direction and control of the district so that it best meets the needs of the community it serves.

The district operates instructional sites in Hollister, Morgan Hill, San Martin Airport and in the spring of 2017 added Coyote Valley sites to augment their course offerings at the main (Gilroy) campus. Gavilan College is a comprehensive public community college offering a wide range of services, including programs of continuing study in liberal arts, pre-professional, business, vocational and technical fields. Courses are offered in the day, evening and on weekends. In FY 18/19, Gavilan College served an estimated 6,688 students for fall semester, 6,516 students for spring semester and 2,848 for summer session. Gavilan College employs 213 full time permanent employees and approximately 285 part time faculty and staff employees during the academic year.

The main campus in Gilroy rests against the foothills that form the western boundary of the Santa Clara Valley. The district is 35 miles south of San Jose, 80 miles south of San Francisco, and 40 miles northeast of the Monterey Coast. The main campus was initially master-planned to accommodate an enrollment of 5,000 students and rests on a 150-acre site that has been carefully planned to take advantage of the beautiful, natural and tranquil setting.

Gavilan College offers a lower division college program that prepares students for transfer to a four-year college or university. The college also offers a variety of technical, occupational and pre-professional courses of study that lead to employment. As of May 2019, students can choose among 130 degrees and certificates, including 23 Associate Degrees for Transfer (ADTs) which provide a direct pathway for students to transfer with junior standing into the California State University system.

Gavilan Joint Community College District serves residents of the Gilroy Unified, Morgan Hill Unified, Aromas-San Juan Unified, and San Benito Joint Union High School Districts. The 2017 total service area populations are approximately 177,445 (California Municipal Statistics). The district is comprised of approximately 2,700 square miles in southern Santa Clara County and a large portion of San Benito County.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements (GASB) Codification Section (Cod. Sec.) 2200.101, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and Cod. Sec. 2200.190-.191, Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses and Change in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and non-operating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The fiscal year ending June 30, 2019, provided the District with many financial challenges, resulting in a \$2.6 million deficit (excess expenditures over revenue) that reduce the unrestricted general fund balance. This decrease in fund balance brought the District reserve to 5.77%. The District finished FY 17/18 with excess revenue over expenditures of \$129,815 for unrestricted general fund, maintaining a reserve at 13.8%.

Over the year the college has made progress on all of its strategic initiatives with resources allocated to a number of improvements in achieving the goals of the Strategic Plan and the Educational Master Plan. The Board of Trustees, faculty, managers and professional support staff of the District have outlined primary values through a strategic planning update process. The product of this process is the updated three-year Strategic Plan 2019/20 – 2022/23. The District uses an integrated planning and funding that includes all planning campus and District-wide efforts. Individual plans feed requests into the resource process with items identified as strategic priorities receiving first dollar allocations.

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

In response to current and possible continued state budget issues, the District has repositioned itself to a smaller but adequately supported program. This matches program costs with available resources. This also offers the District the opportunity to manage program growth efficiently as additional resources are available.

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 new Student-Centered Funding Formula (SCFF) has caused the District to have a structural deficit, that management is working to reduce. If the District was still operating under the old 100% FTES funding formula we would not have shown a deficit for year ended June 30, 2019. These new challenges put the District in a situation of adapting to the new formula while still maintaining the quality education for the students. Although SCFF is based on student success, we did not have adequate time to adjust to the funding formula, as had happened in the past when the funding calculation were changed. With this change the year was already half over when we received the details of how it would work.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was ($14 million) deficit and ($6.1 million) deficit for the fiscal years ended June 30, 2019 and June 30, 2018, respectively. Of this amount, ($59 million) and ($30 million) were unrestricted as of June 30, 2019 and 2018, respectively. The large increase in assets and debt is a result of the first bond issuance of Measure X for $38 million. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District Board's ability to use that net position for day-to-day operations. Our analysis below, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

GAVILAN JOINT CCD
Net Position

	Governmental Activities as of June 30 for the Fiscal Year		
	2019	**2018**	**Change**
Current assets	$ 18,846,942	$ 10,633,025	$ 8,213,917
Noncurrent assets	163,959,561	135,447,794	28,511,767
Total Assets	182,806,503	146,080,819	36,725,684
Deferred outflows of resources	20,883,307	18,953,015	1,930,292
Total Assets and Deferred Outflows	203,689,810	165,033,834	38,655,976
Current liabilities	24,431,319	16,067,141	8,364,178
Noncurrent liabilities	191,827,480	153,015,563	38,811,917
Total Liabilities	216,258,799	169,082,704	47,176,095
Deferred inflows of resources	1,434,100	2,060,958	(626,858)
Total Liabilities and Deferred Inflows	217,692,899	171,143,662	46,549,237
Net position			
Net investment in capital assets	37,044,585	19,226,733	17,817,852
Restricted	7,599,075	4,977,525	2,621,550
Unrestricted	(58,646,749)	(30,314,086)	(28,332,663)
Total Net Position	$ (14,003,089)	$ (6,109,828)	$ (7,893,261)

Change in Net Position

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

State apportionment revenues moderately decreased, while local revenue, such as property taxes had a large increase. The District has been successful increasing state and local grants by $3.4 million for FY18/19.

During the year several full-time faculty positions were added at the District for various departments resulting increased salaries.

Employee benefit costs increased by $6.6 million with the largest percentage relating to year 2018 total being reduced by reimbursement of retiree medical health benefits from OPEB Trust of $2.6 million and the in 2019 the state paying California State Teachers' Retirement System (CalSTRS) and California Public Employees Retirement System (CalPERS) on behalf of the college by $3.2 million. Additionally, pension expense relating to GASB 68 increased $2.6M in 2019 over 2018.

Table 2

GAVILAN JOINT CCD
Change in Net Position

	Governmental Activities for the Fiscal Year		
	2019	**2018**	**Change**
Revenues			
Operating revenues:			
Tuition and fees	$ 2,798,700	$ 2,620,410	$ 178,290
Grants and contracts - Federal	9,028,090	9,113,080	(84,990)
Grants and contracts - State and local	12,134,398	8,641,403	3,492,995
Non-operating revenues:			
State apportionment	886,595	2,061,646	(1,175,051)
Education protection account	1,421,840	4,102,253	(2,680,413)
Property taxes	35,408,622	32,487,068	2,921,554
State taxes and other revenue	96,869	136,648	(39,779)
Other revenues	1,732,395	3,756,066	(2,023,671)
Total Revenues	63,507,509	62,918,574	588,935
Expenses			
Salaries	28,133,863	27,109,167	1,024,696
Employee benefits	17,447,363	10,857,344	6,590,019
Supplies, materials and other operating expenses and services	9,324,173	11,157,176	(1,833,003)
Student aid	7,932,985	7,341,776	591,209
Depreciation	3,306,633	2,590,120	716,513
Other non-operating expenses	5,255,753	3,765,410	1,490,343
Total Expenses	71,400,770	62,820,993	8,579,777
Change in Net Position	$ (7,893,261)	$ 97,581	$ (7,990,842)

<u>*Governmental Activities*</u>

As reported in the *Statement of Revenues, Expenses and Change in Net Position*, the cost of all of our governmental activities this year was $71 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $35 million, because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with other revenues, including interest and general entitlements.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the 2018-19 budget was adopted on September 10, 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $128 million in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table 3

GAVILAN JOINT CCD
Capital Assets at Year-end

	Fixed Assets for the Fiscal Year		
	2019	**2018**	**Change**
Land	$ 28,074,857	$ 28,074,857	
Work in Progress	5,721,989	18,902,798	$ (13,180,809)
Land Improvements	15,637,417	1,369,310	14,268,107
Building and Improvements	103,604,120	100,953,630	2,650,490
Equipment and vehicles	10,502,133	10,199,870	302,263
Total	163,540,516	159,500,465	4,040,051
Less Accumulated Depreciation	(35,059,582)	(31,752,949)	(3,306,633)
Net Total	$ 128,480,934	$ 127,747,516	$ 733,418

The District is in the construction phase for bond renovation projects. A few capital projects like San Benito County Campus are planned to continue with the passage of the Measure X Bond of $248 million in the November 2018 election.

Architects were selected to start the process of design for the first projects at San Benito Educational Site and Gilroy Campus projects. Some of the projects on the main Gilroy campus included much needed improve infrastructure and improved safety standards.

Long-Term Liabilities

At the end of this year, the District had $197 million in long-term obligations outstanding. The major increase in long-term liabilities was the result of the first bond issuance of Measure X of $38,000,000. The long-term obligations consisted of:

Table 4

GAVILAN JOINT CCD
Long-Term Liabilities at Year-end

	Long-Term Liabilities for the Fiscal Year		
	2019	**2018**	**Change**
General obligation bonds	$ 133,910,000	$ 104,820,000	$ 29,090,000
Premiums	12,742,540	10,834,773	1,907,767
Compensated absences	911,613	922,680	(11,067)
Early retirement incentive	1,000,996		1,000,996
Net pension liability	45,034,364	38,674,690	6,359,674
OPEB Liability	3,046,992	1,841,028	1,205,964
Total	$ 196,646,505	$ 157,093,171	$ 39,553,334

More detailed information regarding our long-term liabilities, including debt repayment schedules, may be found in the Notes to the Basic Financial Statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018/19 ARE NOTED BELOW:

The major accomplishment for the District in fiscal year 2018/2019 was the passage of Measure X on election day on November 6, 2018. 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 the same become due; pay the costs of issuing the Bonds.

On November 13, 2018, the Board of Trustees approved the District's Supplemental Early Retirement Plan (SERP). The effective date of retirement under the SERP will be June 30, 2019 and the participates were 60 years of age, worked full time for at least 10 years, and the payment to these employees was 65% of their last annual salary spread over five years.

On September 15, 2018 the District financed a $7.2 million tax exempt tax anticipation note (TRAN) that was paid on July 15, 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-19 year, the District Board and management used the following criteria for estimating unrestricted general fund revenues:

The State's economy continued to improve in Budget Years 18/19 and 17/18. As the State releases funds that have exceeded initial projections, the colleges across the state can expect slight increases. At Gavilan College there was an overall increase in the general fund revenue of 3% for the FY 18/19 year. Additional increases in Student Success Initiative and funding for programs that provide services to students who meet certain eligibility criteria have helped reduce the pressure on the unrestricted general fund as those resources were restored as the economy improved. For FY 18/19 and beyond, additional increases in revenues are expected. The State's economy is yielding revenues larger than what was anticipated when the FY 18/19 budget was prepared. A portion of those funds will eventually work their way down to the California community colleges. In short, the economy is strong and is generating increases in revenues in excess of planned amounts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Associate Vice President of Business Services & Security, at Gavilan Joint Community College District, 5055 Santa Teresa Blvd, Gilroy, California, 95020, or e-mail at wellis@gavilan.edu.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:	
Current assets:	
Cash and cash equivalents	$ 14,428,551
Receivables, net	3,991,004
Prepaid expenses	427,387
Total current assets	18,846,942
Noncurrent assets:	
Restricted cash and cash equivalents	35,050,656
Lease receivable	427,971
Depreciable capital assets, net	94,684,088
Nondepreciable capital assets	33,796,846
Total noncurrent assets	163,959,561
Total assets	182,806,503
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount on refunding	6,506,704
Deferred outflows of resources related to pensions	14,245,375
Deferred outflows related to OPEB	131,228
Total deferred outflows	20,883,307
LIABILITIES:	
Current liabilities:	
Accounts payable	5,201,614
Apportionment payable	2,427,709
TRANS payable	7,379,396
Accrued payroll	672,383
Accrued interest payable	1,990,688
Unearned revenue	1,940,504
Long-term liabilities due within one year	4,819,025
Total current liabilities	24,431,319
Noncurrent liabilities:	
Net pension liability	45,034,364
Net OPEB liability	3,046,992
Long-term liabilities	143,746,124
Total noncurrent liabilities	191,827,480
Total liabilities	216,258,799
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources related to pensions	1,278,262
Deferred inflows of resources related to OPEB	155,838
Total deferred inflows	1,434,100
NET POSITION (DEFICIT):	
Net investment in capital assets	37,044,585
Restricted for:	
Debt service	7,539,900
Other special purposes	59,175
Unrestricted	(58,646,749)
Total net deficit	$ (14,003,089)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019

OPERATING REVENUES:	
Tuition and fees (gross)	$ 5,296,870
Less: scholarship discounts and allowances	(2,498,170)
Net tuition and fees	2,798,700
Grants and contracts, noncapital:	
Federal	9,028,090
State	11,837,203
Local	297,195
TOTAL OPERATING REVENUES	23,961,188
OPERATING EXPENSES:	
Salaries	28,133,863
Employee benefits	17,447,363
Supplies, materials, and other operating expenses and services	9,324,173
Student financial aid and scholarships	7,932,985
Depreciation	3,306,633
TOTAL OPERATING EXPENSES	66,145,017
OPERATING LOSS	(42,183,829)
NON-OPERATING REVENUES:	
State apportionments, noncapital	277,712
Education protection account	1,421,840
Local property taxes, noncapital	28,810,550
State taxes and other revenues	96,869
Interest income, noncapital	115,714
Other non-operating revenues	1,484,245
TOTAL NON-OPERATING REVENUES	32,206,930
LOSS BEFORE CAPITAL ACTIVITY	(9,976,899)
CAPITAL REVENUES (EXPENSES):	
State apportionments, capital	608,883
Local property taxes and revenues, capital	6,598,072
Interest income, capital	132,436
Interest expense on capital asset-related debt, net	(4,948,753)
Cost of issuance	(307,000)
TOTAL CAPITAL REVENUES	2,083,638
DECREASE IN NET POSITION	(7,893,261)
NET DEFICIT -- BEGINNING OF YEAR	(6,109,828)
NET DEFICIT -- END OF YEAR	$ (14,003,089)

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$ 2,509,304
Federal grants and contracts	10,789,257
State grants and contracts	4,519,815
Local grants and contracts	(195,347)
Payments to suppliers	1,561,791
Payments to/on behalf of employees	(37,436,094)
Payments to/on behalf of students	(7,918,222)
Net cash used by operating activities	(26,169,496)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State apportionments, noncapital	2,498,107
Local property taxes, noncapital	28,810,550
State taxes and other revenues	96,869
Other non-operating revenues	1,500,757
Net cash provided by noncapital financing activities	32,906,283
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from bonds	38,000,000
Premium received from bonds	2,699,980
Debt service costs	(307,000)
State apportionments, capital	878,891
Local property taxes and revenues, capital	6,598,072
Interest income, capital	125,994
Purchases of capital assets	(4,040,015)
Proceeds from lease receivable	22,525
Principal paid on capital debt	(8,910,000)
Interest paid on capital debt	(4,859,534)
Net cash provided by capital and related financing activities	30,208,913
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income, noncapital	132,436
Net cash provided by investing activities	132,436
NET INCREASE IN CASH AND EQUIVALENTS	37,078,136
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	12,401,071
CASH AND EQUIVALENTS -- END OF YEAR	$ 49,479,207

Reconciliation to statement of net position:	
Cash and cash equivalents	$ 14,428,551
Restricted cash and cash equivalents, noncurrent	35,050,656
Total cash and cash equivalents	$ 49,479,207

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating loss	$ (42,183,829)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	3,306,633
Changes in assets and liabilities:	
Receivables, net	648,541
Prepaid expenses	(369,087)
Deferred outflows related to OPEB	274,430
Deferred outflows related to pensions	(2,832,008)
Accounts payable	8,352,505
Accrued payroll	(86,130)
Unearned revenue	(1,209,260)
Compensated absences	(11,067)
Net OPEB liability	1,205,964
Net pension liability	6,359,674
Early retirement incentive	1,000,996
Deferred inflows related to OPEB	30,310
Deferred inflows related to pensions	(657,168)
Net cash used by operating activities	$ (26,169,496)

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Amortization of deferred amount on refunding	$ (627,286)
Amortization of premiums on long-term debt	792,213

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Private-Purpose Trust Funds
ASSETS:	
Cash and cash equivalents	$ 380,017
Receivables	326
TOTAL ASSETS	380,343
LIABILITIES:	
Accounts payable and accrued expenses	1,026
TOTAL LIABILITIES	1,026
RESTRICTED NET POSITION:	
Restricted net position held in trust	$ 379,317

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2019

	Private-Purpose Trust Funds
ADDITIONS:	
ASB fees and sales	$ 106,173
Donations and fundraising	34,566
TOTAL ADDITIONS	140,739
DEDUCTIONS:	
Salaries	8,196
Employee benefits	4,024
Supplies and services	179,332
Operating expenses	12,256
Scholarships	11,700
TOTAL DEDUCTIONS	215,508
CHANGE IN NET POSITION	(74,769)
NET POSITION -- BEGINNING OF YEAR	454,086
NET POSITION -- END OF YEAR	$ 379,317

1. ORGANIZATION AND REPORTING ENTITY

Gavilan Joint Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100. The District is classified as a state instrumentality under Internal Revenue Code Section 115 and is therefore exempt from federal taxes.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100. The District, based on its evaluation of these criteria, did not identify any component units.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units*, issued by the American Institute of Certified Public Accountants (AICPA).

Basis of Accounting – For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. All significant interfund transactions have been eliminated.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office of the California Community Colleges' *Budget and Accounting Manual*, which is consistent with generally accepted accounting principles in the United States of America.

In addition to the District's business-type activities, the District maintains fiduciary funds. These funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are accounted for using the economic resources measurement focus. The District reports the following fiduciary funds:

Trust Funds – These funds include the Associated Students Trust Fund and the Student Center Fee Fund. The amounts reported for these funds are reported in the aggregate in the statement of fiduciary net position and the statement of changes in fiduciary net position.

Budgets and Budgetary Accounting – By state law, the District's governing board must approve a tentative budget no later than July 1st and adopt a final budget no later than September 15th of each year. A hearing must be conducted for public comments prior to adoption.

The budget is revised during the year to incorporate categorical funds which are awarded during the year and miscellaneous changes to the spending plans. Revisions to the budget are approved by the District's governing board.

Estimates used in Financial Reporting – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Restricted Cash and Cash Equivalents – Cash that is externally restricted by grantors, to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as a restricted noncurrent asset in the statement of net position.

Receivables – Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at $298,032 for the year ended June 30, 2019.

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

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

Deferred Outflows/Deferred Inflows of Resources – In addition to assets, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension and OPEB plans after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability and total OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 7 for further details related to these pension deferred outflows and inflows. See Note 8 for further details related to these OPEB deferred outflows and inflows.

Pensions – Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS), and certificated employees are members of the State Teachers' Retirement System (CalSTRS), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenues – Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year, but related to the subsequent accounting period. Unearned revenues also include amounts received from grants, contracts, and certain categorical programs that have not yet been earned.

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

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

Net Position – The District's net position is classified as follows:

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

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

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

Classification of Revenues and Expenses – The District has classified its revenues and expenses as either operating or nonoperating revenues according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset-related debt.

Nonoperating revenues and expenses: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting" and GASB No. 34, such as State appropriations and investment income.

Scholarship Discounts and Allowances and Financial Aid – Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. The District offers Board of Governor's (BOG) grants to qualified students and these tuition waivers are reported as scholarship discounts and allowances. Grants, such as Federal, State, or non-governmental programs, are recorded as operating or nonoperating revenues in the District's financial statements.

Property Taxes – Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The Santa Clara and San Benito Counties each bill and collect taxes for the District. Tax revenues are recognized by the District when received.

Change in Accounting Principles – For the year ended June 30, 2019, the District implemented GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of Construction Period*. The primary objective of GASB 89 is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. Therefore, interest cost incurred before the end of a construction period will be recognized as an expense in the period in which the cost is incurred and will not be capitalized as part of the historical cost of a capital asset. GASB 89 required prospective application therefore, no adjustment is needed for previous periods.

Future Accounting Pronouncements – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities,* with required implementation for the District during the year ending June 30, 2020. 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.

In June 2017, the GASB issued Statement No. 87, *Leases,* with required implementation for the District during the year ending June 30, 2021. 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 requires 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.

Management is in the process of evaluating the impact these two new statements will have on the District’s future financial statements.

3. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents as of June 30, 2019, are classified in the accompanying financial statements as follows:

Statement of net position of the District:	
Cash and cash equivalents	$ 14,428,551
Restricted cash and cash equivalents - noncurrent	35,050,656
Statement of fiduciary net position:	
Cash and cash equivalents	380,017
Total cash and cash equivalents	$ 49,859,224

Cash and cash equivalents as of June 30, 2019, consist of the following:

	District	Fiduciary Funds
Cash and cash equivalents in Santa Clara County Treasury	$ 49,929,332	$ 26,036
Bank overdraft	(485,776)	
Cash in banks	35,651	353,981
Total cash, cash equivalents, and investments	$ 49,479,207	$ 380,017

Cash in County Treasury – In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Clara County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper (pooled and non-pooled)	270 days	25% or 40%	10%
Negotiable Certificates of Deposits	5 years	30%	10%
Non-negotiable Certificates of Deposits	5 years	None	None
Deposit Placement Services	5 years	30%	None
CD Placement Services	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds & Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through Securities	5 years	20%	None
Joint Powers Authority Pool	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2019, the weighted average maturity of the investments contained in the Treasury's investment pool is approximately 436 days.

Credit Risk – Generally, 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. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk – The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2019, the District had no concentrations of credit risk.

Deposits – The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. At June 30, 2019, the carrying amount of the District's cash in banks for the primary governmental entity was ($450,125). The bank balance for such accounts at June 30, 2019, was $1,523,239 of which $1,273,239 exceeded FDIC limits. At June 30, 2019, cash in banks for the fiduciary funds had a carrying amount of $353,981 and a bank balance of $353,528, of which none exceeded FDIC limits.

Restricted Cash and Cash Equivalents – The District's noncurrent restricted cash and cash equivalents balance is $35,050,656 at June 30, 2019. Included in this restricted balance is $25,320,220 of unspent Measure X bond proceeds restricted for capital projects, $7,514,206 of assessments collected by the County Treasurer's Office on behalf of the District for the repayment of the District's general obligation bonds, $8,151 of unspent lease revenue bond proceeds restricted for capital projects, ($349,620) restricted for the self-insurance fund, $2,557,699 is restricted for the capital outlay and other purposes.

Derivative Investments – The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available.

4. RECEIVABLES

The District's receivables at June 30, 2019 are summarized as follows:

Federal	$ 1,546,860
State	1,142,430
Local and other	1,599,746
Less allowance for doubtful accounts	(298,032)
Receivables, net	$ 3,991,004

In November 2013, the District sold portables purchased with Measure E funds to the Gilroy Unified School District at fair value under a lease purchase agreement. Payments of $22,525 are due annually over a 25 year period, with the first payment due in the year ended June 30, 2014. Future payments are due as follows:

Year Ending June 30,	Payment
2020	$ 22,525
2021	22,525
2022	22,525
2023	22,525
2024	22,525
2025-2029	112,625
2030-2034	112,625
2035-2038	90,096
	$ 427,971

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 01, 2018	Additions	Transfers	Balance June 30, 2019
Capital assets, not depreciated:				
Land	$ 28,074,857			$ 28,074,857
Construction in progress	18,902,798	$ 762,280	$(13,943,089)	5,721,989
Total capital assets, not depreciated	46,977,655	762,280	(13,943,089)	33,796,846
Capital assets, depreciated:				
Land improvements	1,369,310	2,083,463	12,184,644	15,637,417
Buildings and building improvements	100,953,630	892,045	1,758,445	103,604,120
Furniture and equipment	9,856,299	302,263		10,158,562
Vehicles	343,571			343,571
Total capital assets, depreciated	112,522,810	3,277,771	13,943,089	129,743,670
Less accumulated depreciation:				
Land improvements	(848,849)	(716,625)		(1,565,474)
Buildings and building improvements	(23,372,052)	(1,976,762)		(25,348,814)
Furniture and equipment	(7,258,060)	(602,606)		(7,860,666)
Vehicles	(273,988)	(10,640)		(284,628)
Total accumulated depreciation	(31,752,949)	(3,306,633)		(35,059,582)
Total capital assets, depreciated, net	80,769,861	(28,862)	13,943,089	94,684,088
Capital assets, net	$ 127,747,516	$ 733,418	$	$ 128,480,934

6. LONG-TERM LIABILITIES

General Obligation Bonds

In May 2011, the District issued $28,000,000 of General Obligation Bonds, 2004 Series D. The Bonds were issued to finance the construction and modernization of District facilities, the acquisition of equipment, and to pay the costs of issuance associated with the Bonds. The Bonds were partially refunded in the June 30, 2018 fiscal year. The bond premium was removed during the refunding. Refer to December 2017 General Obligation Refunding bonds below. The remaining Bonds mature August 2021 and bear interest at 4.00%.

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 210,000	$ 26,600	$ 236,600
2021	255,000	17,300	272,300
2022	305,000	6,100	311,100
	$ 770,000	$ 50,000	$ 820,000

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 Obligations 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, and bear interest at rates ranging from 2.000% to 5.000%.

Bond premium (net of accumulated amortization) of $957,270 is capitalized and will be amortized over the term of the Bonds.

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,095,000	$ 415,375	$ 1,510,375
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
	$ 8,855,000	$ 1,465,375	$ 10,320,375

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 105,000	$ 375,275	$ 480,275
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
2025-2029	10,265,000	1,117,238	11,382,238
	$ 10,830,000	$ 2,960,163	$ 13,790,163

In August 2015, the District issued $42,320,000 of General Obligation Refunding Bonds, 2015 Series C. The bonds were issued to advance partially refund $45,485,000 of the District's outstanding 2004 Series C General Obligation Bonds. The 2015 Series C Refunding Bonds mature through August 2032 and bear interest at rates ranging from 3.000% to 5.000%.

Bond premium (net of accumulated amortization) of $5,493,159 is capitalized and will be amortized over the term of the Bonds.

The following is a schedule of the future payments for the 2015 Series C General Obligation Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2020	$ 820,000	$ 2,048,400	$ 2,868,400
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
2025-2029	9,490,000	7,916,250	17,406,250
2030-2033	26,565,000	2,797,375	29,362,375
	$ 41,460,000	$ 20,466,900	$ 61,926,900

In December 2017, the District issued $27,045,000 of General Obligation Refunding Bonds to current refund the remaining portion of the District's outstanding 2004 General Obligation Bonds, Series 2004A, to advance refund a portion of the District's outstanding 2004 General Obligation Bonds, Series 2004D and to pay the costs associated with the issuance of bonds. The 2017 Refunded bonds mature through August 2035 and bear interest at rates ranging from 2.000% - 5.000%.

Bond premium (net of accumulated amortization) of $3,486,499 is capitalized and will be amortized over the term of the bonds.

The following is a schedule of the future payments for the 2017 General Obligation Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2020	$ 435,000	$ 1,108,200	$ 1,543,200
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
2025-2029	6,080,000	4,260,625	10,340,625
2030-2034	13,020,000	2,529,388	15,549,388
2035-2036	4,580,000	149,975	4,729,975
	$ 26,820,000	$ 12,274,988	$ 39,094,988

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 the same become due; pay the costs of issuing the Bonds. The Series A Bonds mature August 2035 and bear interest at 4.00%. The Series A-1 Bonds mature August 2025 and bearing interest at rates ranging from 2.470% - 2.850%.

Bond premium (net of accumulated amortization) of $2,699,980 is capitalized and will be amortized over the term of the Bonds.

The following is a schedule of the future payments for the 2018 Series A General Obligation Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2020		$ 304,422	$ 304,422
2021	$ 4,275,000	1,064,000	5,339,000
2022	5,100,000	893,000	5,993,000
2023		689,000	689,000
2024		689,000	689,000
2025-2029	3,930,000	3,289,600	7,219,600
2030-2034	8,785,000	2,008,600	10,793,600
2035-2036	4,510,000	273,800	4,783,800
	$ 26,600,000	$ 9,211,422	$ 35,811,422

The following is a schedule of the future payments for the 2018 Series A-1 General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2020		$ 82,719	$ 82,719
2021	$ 3,675,000	289,116	3,964,116
2022	3,675,000	198,343	3,873,343
2023	1,025,000	108,306	1,133,306
2024	1,010,000	82,475	1,092,475
2025-2029	2,015,000	84,656	2,099,656
	$ 11,400,000	$ 845,615	$ 12,245,615

Revenue Bonds

In August 2016, the California Community Colleges Financing Authority (Authority) issued Lease Revenue Bonds in the amount of $7,415,000 for the District. 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 established 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 Authority pursuant to a Lease/Purchase Agreement. The Bonds mature through August 2036 and bear interest at rates ranging from 2.000% to 3.000%.

Bond premium (net of accumulated amortization) of $105,632 is capitalized and will be amortized over the term of the Bond.

The following is a schedule of the future payments for the 2016 Lease Revenue Bonds:

Year Ending June 30,	Principal	Interest	Total
2020	$ 250,000	$ 193,125	$ 443,125
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
2025-2029	1,465,000	737,575	2,202,575
2030-2034	1,645,000	558,263	2,203,263
2035-2039	1,905,000	301,500	2,206,500
2040-2041	845,000	38,250	883,250
	$ 7,175,000	$ 2,526,963	$ 9,701,963

On May 1, 2017, the District entered into an agreement with the California Community College Finance Authority (Authority) to finance the acquisition, construction and installation of solar photovoltaic systems on the District campus. The funding is through the U.S. Department of Energy for the Clean Renewable Energy Bonds (CREB). The Authority has agreed to assist the District with the financing of the Bonds by entering into a lease/leaseback arrangement. Through CREB, the District elected to treat the lease as “Specified Tax Credit Bonds” and will be eligible to receive direct payment from the federal government of a refundable credit equal to the lesser of the interest payment on the lease or 70% of the tax credit rate applicable to the lease of the lease payments. As of June 30, 2019, the balance was paid off using a portion of the proceeds from the General Obligation Bonds 2018 Series A and Series A-1.

Early Retirement Incentive

During 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 last annual salary. The benefits will be paid through annuities by the District. The District's liability for this early retirement incentive is $1,000,996 as of June 30, 2019. Annual requirements to amortize the liability outstanding are as follows:

Year Ending June 30,	Payment
2020	$ 200,199
2021	200,199
2022	200,199
2023	200,199
2024	200,200
	$ 1,000,996

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 104,820,000	$ 38,000,000	$ (8,910,000)	$ 133,910,000	$ 2,915,000
Premiums	10,834,773	2,699,980	(792,213)	12,742,540	792,213
Early retirement incentive		1,000,996		1,000,996	200,199
Compensated absences	922,680		(11,067)	911,613	911,613
	$ 116,577,453	$ 41,700,976	$ (9,713,280)	$ 148,565,149	$ 4,819,025

Operating Lease

In June 2015, the District amended its agreement with the City of Morgan Hill (City) to lease Gavilan Community College Campus at Morgan Hill and Cultural Center. Payments of $16,642 are due monthly over a 5 year period, with the first payment due July 1, 2015. In May 2017, the District entered into an agreement with the City of Hollister to lease the Repor Briggs Building. Payments are due monthly over a 5 year period, June 21, 2017 through June 20, 2022, and range from $9,401 to $10,590 per month. In January 2016, the District entered into a lease agreement with the County of Santa Clara to lease a hanger in an undeveloped portion of the San Martin Airport. The lease is for 20 years from January 1, 2016 through December 21, 2035 with a base rent of $28,429 per year. The rent is subject to a 1.035% escalation annually starting July 1, 2017. In February 2017, the District entered into a lease agreement with Konica Minolta Premier Finance to lease a copier. The lease is from April 1, 2017 through March 31, 2022 with a monthly rent of $4,560.

Future payments are due as follows:

Year Ending June 30,	Payment
2020	$ 344,598
2021	87,425
2022	74,899
2023	35,050
2024	36,288
2025-2029	201,599
2030-2034	239,809
2035	80,682
	$ 1,100,350

7. RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.10% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2019, was 16.28% of annual pay. District contributions to the CalSTRS Plan were $2,458,454 for the year ended June 30, 2019.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 5.311% in 2018-19. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2018, was 9.328% of the District's 2014-15 creditable CalSTRS compensation.

In addition to AB1469, California Senate Bill 90 (SB 90) signed June 27, 2019, appropriated from the State's General Fund $2,246,000,000 in contributions on-behalf of school employers for the 2018–19 fiscal year to be transferred to the CalSTRS Plan. Furthermore, SB 90 will appropriate contributions for the 2019–20 and 2020–21 fiscal years, such that it will result in school employers having to contribute 1.03 percentage points less than amounts set in existing prescribed schedules in the 2019–20 fiscal year and 0.70 percentage point less in the 2020–21 fiscal year, as specified. The District's proportionate share of the State's SB90 on-behalf contribution to the CalSTRS Plan for the period ended June 30, 2019 was $2,143,440.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to the measurement date of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return[1]	7.10%
Mortality	CalSTRS' Membership Data
	2% simple for DB (Annually)
	Maintain 85% purchasing power Level for DB
Post-Retirement Benefit Increase	Not applicable for DBS /CBB

[1] Net of investment expenses, but gross of administrative expenses.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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 occur midyear. Based on those assumptions, the CalSTRS Plan'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 the total pension liability.

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 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 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, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's 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's required contribution rate for the year ended June 30, 2019, was 18.062% of annual pay. District contributions to the CalPERS Plan were $1,963,880 for the year ended June 30, 2019.

In addition to District contributions, SB 90, appropriated from the State's General Fund $904,000,000 in contributions on-behalf of school employers for the 2018–19 fiscal year to be transferred to the CalPERS Plan. The District's proportionate share of the State's SB90 on-behalf contribution to the CalPERS plan for the period ended June 30, 2019 was $716,691.

Actuarial Assumptions

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases(1)	Varies
Investment Rate of Return	7.15%
Mortality(2)	CalPERS' Membership Data
Post-Retirement Benefit Increase(3)	Up to 2.50%

(1) Varies by entry age and service
(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, refer to the December 2017 CalPERS Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on CalPERS website.
(3) 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

Changes in Assumptions

In measurement period ending June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. The inflation rate for CalPERS was lowed from 2.75% to 2.50%.

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 that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results can be found on CalPERS' website.

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

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 (geometric) returns were calculated over the short-term (first 10 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 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 table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class[a]	New Strategic Allocation	Real Return Years 1 – 10[b]	Real Return Years 11+[c]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

[a] In the Plan's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
[b] An expected inflation of 2.00% was used for this period.
[c] An expected inflation of 2.92% was used for this period.

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

As of June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's 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:

District's proportionate share of the net pension liability:	
CalSTRS Plan	$ 23,895,820
CalPERS Plan	21,138,544
Total District net pension liability	45,034,364
State's proportionate share of CalSTRS net pension liability associated with the District	13,444,494
Total	$ 54,478,858

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2018, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2018, was 0.026% and 0.07928% for the CalSTRS and CalPERS Plans, respectively, which was a 0.002% increase and 0.0103% increase, respectively, from its proportion measured as of June 30, 2017 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2018, the District recognized pension expense of $8,875,372 and revenue of $1,582,540 for support provided by the State. At June 30, 2019, 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
Differences between expected and actual experience	$ 1,459,866	$ (347,100)
Changes in assumptions	5,822,870	
Changes in proportion	2,302,071	
Change in proportionate share of contributions	64,849	(11,022)
Net differences between projected and actual investment earnings of pension plan investments	173,384	(920,140)
District contributions subsequent to measurement date	4,422,335	
Total	$ 14,245,375	$ (1,278,262)

The $4,422,334 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2020	$ 3,519,849
2021	2,709,199
2022	478,998
2023	619,322
2024	988,402
Thereafter	229,099

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

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 35,004,580	$ 23,895,820	$ 14,685,580

	Discount Rate –1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 30,776,709	$ 21,138,544	$ 13,142,306

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note 7, the District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The Gavilan Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, vision and dental insurance benefits to eligible retirees and, under certain conditions, their spouses and dependents.

The District is a member of the California Community College League Retiree Health Benefit Program, which is an investment program used to set aside funds for future retiree benefits in an irrevocable trust (the Investment Trust). The Investment Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future other post-employment benefits (OPEB). The Retiree Health Benefit Program issues a separate financial report that may be obtained by contacting the District.

Benefits Provided

The District's benefits provided to retirees through the Plan vary by employee group. Under the Plan, certificated employees retiring on or after age 55 with 10 years of service may continue on their active health plans until the earlier of age 65 or receipt of Medicare. Classified employees hired before July 1, 1986, retiring on or after age 55 with 10 years of service may continue on their active health plans for their lifetime. Classified employees hired after July 1, 1986, retiring on or after age 55 with 10 years of service may continue on their active health plans until the earlier of age 65 or receipt of Medicare. For employees retiring after December 31, 2003, the benefit is fixed at the date of retirement, and the retiree pays any increases in the costs of their health benefits. Management, supervisors, and other professional employees receive the same benefits as classified employees.

Employees Covered

As of the June 30, 2019 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	116
Inactive employees entitled to but not receiving benefits	0
Participating active employees	226
Total	342

Contributions

The District provides benefits on a pay-as-you-go basis, and periodically makes contributions to the OPEB Trust. The contribution requirements of plan members and the District are established and may be amended by the Board and by contractual agreement with employee groups. The District's plan members are not required to contribute to the plan.

Net OPEB Liability

The District's 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 dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Mortality Rate	CalPERS' and CalSTRS' rates
Medical Trend Rates	5.00% to 6.50%
Dental & Vision Trend Rates	4.00%

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 OPEB plan 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. The target 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
Fixed Income	50.00%	2.25%
Equities	50.00%	5.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. Based on the current funding practice and the actuarial assumptions used, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The municipal bond rate used was 3.15%, which is the resulting rate using the average of 3 indices - 20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

Changes in the Net OPEB Liability

The changes in the Net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (TOL) (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a)-(b)**
Balance at Measurement date June 30, 2018	$ 9,629,647	$ 8,524,924	$ 1,104,723
Changes recognized for the measurement period:			
Service cost	341,288		341,288
Interest on TOL	674,127		674,127
Changes in benefit terms	(579,293)		(579,293)
Differences between expected and actual experience	(145,333)		(145,333)
Changes in assumptions	164,035		164,035
Contributions—employer		101,139	(101,139)
Contributions—employee			
Actual investment income		437,321	(437,321)
Benefit payments	(681,101)	(2,701,139)	2,020,038
Administrative expense		(5,867)	5,867
Net changes	(226,277)	(2,168,546)	1,942,269
Balance at June 30, 2019 (Measurement date June 30, 2019)	$ 9,403,370	$ 6,356,378	$ 3,046,992

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

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.00%)	**Current Discount Rate (7.00%)**	**Discount Rate +1% (8.00%)**
Net OPEB liability	$ 3,779,175	$ 3,046,992	$ 2,395,324

<u>Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates</u>

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Health Care Trend Rate – 1% (5.50%HMO/ 5.50%PPO decreasing to 4.00%HMO/ 4.00%PPO)	**Health Care Trend Rate (6.50%HMO/ 6.50%PPO decreasing to 5.00%HMO/ 5.00%PPO)**	**Health Care Trend Rate +1% (7.50%HMO/ 7.50%PPO decreasing to 6.00%HMO/ 6.00%PPO)**
Net OPEB liability	$ 2,361,685	$ 3,046,992	$ 3,834,982

<u>OPEB plan fiduciary net position</u>

The Investment Trust issues a separate financial report that may be obtained by contacting the District at 5055 Santa Teresa Boulevard, Gilroy, CA, 95020.

<u>Recognition of Deferred Outflows and Deferred Inflows of Resources</u>

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB Trust investments	5 years
All other amounts	Expected average remaining service lives (EARSL) of plan participants

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $1,510,704. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 131,228	
Differences between expected and actual experience		$ (116,266)
Net difference between projected and actual earnings on OPEB plan investments		(39,572)
Total	$ 131,228	$ (155,838)

Deferred outflows/inflows of resources related to OPEB will be recognized as pension expense as follows:

Year Ending June 30	
2020	$ (13,998)
2021	(13,998)
2022	(13,998)
2023	17,384

9. CONTINGENCIES

Litigation

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

State and Federal Allowances, Awards, and Grants

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

10. SELF INSURANCE AND JOINT VENTURES (Joint Powers Agreements)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and students; and natural disasters. The District is partially self-insured for the first ten thousand dollars ($10,000) of its general liability and property coverage.

The District participates in two joint ventures under joint powers agreements (JPAs), the Statewide Associate of Community Colleges Joint Powers Authority (SWACCJPA) and the Northern California Community College Pool (NCCCP). The relationship between the District and each JPA is such that no JPA is a component unit of the District for financial reporting purposes.

Each JPA is governed by a board consisting of a representative from each member organization. The boards control the operations of the JPAs, including selection of management and approval of operating budgets independent of any influence by the members beyond their representation on the governing boards. SWACCJPA provides programs and resources to specifically address its community college members exposure to loss through broad and unique coverages, specialized loss control services, trainings, fiscally responsible self-funding, and risk transfer to its members. The members of each JPA pay premiums commensurate with the level of coverage requested, and they share surpluses and deficits proportionate to their participation in the JPAs.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than that of the JPAs' governing boards. Complete separate financial statements for the JPAs may be obtained from:

JPA	Address
SWACCJPA	4500 Indian Wells Lane, Indian Wells, CA 92210
NCCCP	1740 Technology Dr. Suite 300; San Jose, CA 95110

Self-insurance and other limits are as follows:

Type of Coverage	Self-Insurance	BACCDJPA	NCCCP
General Liability	Up to $10,000	$10,001 - $25,000,000	N/A
Property	Up to $10,000	$10,001 - $250,000,000	N/A
Workers' Compensation	N/A	N/A	To Statutory Limits

All property is insured at full replacement value. For the past three years, there have been no significant reductions in any of the District's insurance coverage types and no settlement amounts have exceeded commercial or authority insurance coverage.

Annual premiums are charged by each JPA using various allocation methods that include actual costs, trends in claims experience, and number of participants.

Condensed financial information reported by each JPA for the years indicated are as follows (not covered by independent auditor's report):

	SWACCJPA Property / Liability June 30, 2019	NCCCP Workers' compensation June 30, 2019
Total Assets	$ 53,983,748	$ 1,143,218
Total Liabilities	$ 36,138,632	$ 110,733
Net Position	17,845,116	1,032,485
Total Liabilities and Net Position	$ 53,983,748	$ 1,143,218
Total Revenues	$ 25,464,876	$ 4,312,642
Total Expenses	25,634,995	4,241,523
Net Increase (Decrease) in Net Position	$ (170,119)	$ 71,119

11. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax revenue anticipation notes are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANS activity for the year ended June 30, 2019 is as follows:

	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019
2018 2.98% TRANS		$ 7,379,396		$ 7,379,396
	$	$ 7,379,396	$	$ 7,379,396

12. SUBSEQUENT EVENT

On April 9, 2020, the District financed $4,000,000 of tax-exempt tax revenue anticipation notes (TRANS) to mature on July 15, 2020 at 2.090% fixed interest rate.

The COVID-19 outbreak in the United States has caused business disruption through mandated closure of the campus. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The District is unable to determine if this matter will have a negative impact on its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIODS ENDED JUNE 30, LAST 10 YEARS*

	2019	2017
TOTAL OPEB LIABILITY		
Service cost	$ 341,288	$ 321,697
Interest	674,127	629,553
Changes in benefit terms	(579,293)	
Differences between expected and actual experience	(145,333)	
Changes of assumptions	164,035	
Benefit payments	(681,101)	(624,011)
NET CHANGE IN TOTAL OPEB LIABILITY	(226,277)	327,239
TOTAL OPEB LIABILITY, Beginning	9,629,647	8,983,917
TOTAL OPEB LIABILITY, Ending (a)	9,403,370	9,311,156
PLAN FIDUCIARY NET POSITION		
Contributions—employer	101,139	1,147,044
Contributions—employee		
Net investment income	437,321	618,236
Benefit payments	(2,701,139)	(624,011)
Administrative expense	(5,867)	
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(2,168,546)	1,141,269
PLAN FIDUCIARY NET POSITION, Beginning	8,524,924	6,328,859
PLAN FIDUCIARY NET POSITION, Ending (b)	6,356,378	7,470,128
DISTRICT'S NET OPEB LIABILITY, Ending (a) - (b)	$ 3,046,992	$ 1,841,028
Plan fiduciary net position as a percentage of the total OPEB liability	67.6%	80.2%
Covered-employee payroll	$ 17,993,992	$ 16,532,000
District's net OPEB liability as a percentage of covered-employee payroll	16.9%	11.1%

Notes to Schedule:

There were no changes to benefit terms or assumptions during the measurement period ending June 30, 2017. There was a change in benefit terms due to the change in health care plans for the period ending June 30, 2019. There was a change in assumptions due to updating all assumptions to reflect the most recent experience studies.

* Fiscal year 2018 was the 1st year of implementation, therefore only two years are presented. Measurement period 2018 not prepared by District.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2019 LAST 10 YEARS*

CalSTRS Plan

	Measurement Date				
	2018	**2017**	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.0260%	0.0240%	0.0240%	0.0240%	0.0250%
District's proportionate share of the net pension liability	$ 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	13,444,494	13,119,823	10,881,561	8,702,245	8,896,441
Total	$ 37,340,314	$ 35,315,023	$ 30,293,001	$ 24,860,005	$ 23,505,691
District's covered-employee payroll	$ 14,594,168	$ 13,218,981	$ 12,053,939	$ 8,461,631	$ 7,708,655
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164%	168%	161%	191%	190%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2018, 2016, 2015 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10% and wage growth changed from 3.75% to 3.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2019 LAST 10 YEARS*

CalPERS Plan

	Measurement Date				
	2018	**2017**	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.0793%	0.0690%	0.0704%	0.0729%	0.0726%
District's proportionate share of the net pension liability	$ 21,138,544	$ 16,479,490	$ 13,904,044	$ 10,745,532	$ 8,241,868
District's covered-employee payroll	$ 10,485,695	$ 8,800,859	$ 8,536,247	$ 6,886,947	$ 6,798,379
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202%	187%	163%	156%	121%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%. For the measurement date ended June 30, 2018, the demographic assumptions and inflation rates were changed. The inflation rate was lowered from 2.75% to 2.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year				
	2019	**2018**	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 2,458,454	$ 2,010,655	$ 1,611,746	$ 1,288,845	$ 1,014,998
Contributions in relation to the contractually required contributions	(2,458,454)	(2,010,655)	(1,611,746)	(1,288,845)	(1,014,998)
Contribution deficiency (excess)	$	$	$	$	$
District's covered-employee payroll	$ 15,099,516	$ 14,594,168	$ 13,218,981	$ 12,053,939	$ 8,461,631
Contributions as a percentage of covered-employee payroll	16.28%	13.78%	12.19%	10.69%	12.00%

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST 10 YEARS*

CalPERS Plan

	Fiscal Year				
	2019	**2018**	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 1,963,880	$ 1,612,153	$ 1,216,038	$ 1,005,496	$ 959,947
Contributions in relation to the contractually required contributions	(1,963,880)	(1,612,153)	(1,216,038)	(1,005,496)	(959,947)
Contribution deficiency (excess)	$	$	$	$	$
District's covered-employee payroll	$ 11,006,815	$ 10,485,698	$ 8,800,859	$ 8,536,247	$ 6,886,947
Contributions as a percentage of covered-employee payroll	17.84%	15.37%	13.82%	11.78%	13.94%

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. Department of Education			
Student Financial Assistance Programs Cluster:			
Pell Grant Program	84.063	N/A	$ 5,961,803
Federal Work Study	84.033	N/A	72,819
Supplemental Educational Opportunity Grant Program	84.007	N/A	101,875
Direct Student Loan Program	84.268	N/A	48,103
Subtotal Student Financial Assistance Programs Cluster			6,184,600
Higher Education - Institutional Aid Program:			
Higher Education - STEM	84.031C	P031C160097	1,243,850
Title V - Higher Education	84.031S	P031S150002	115,722
Title V - Higher Education	84.031S	P031S150002	386,092
Subtotal Title V Higher Education			1,745,664
Higher Education - TRIO Cluster	84.042A	P042A151214	255,382
Subtotal Higher Education - Institutional Aid Program			2,001,046
Passed through California Department of Education:			
Vocational and Applied Technology - Title IC	84.011	19-C01-018	132,831
Vocational and Applied Technology - CTE Transitions	84.048	19-112-018	41,377
State Vocational Rehabilitation Services	84.126A	03578	230,950
Total U.S. Department of Education			8,590,804
U.S. Department of Agriculture			
State Administrative Matching Grant for SNAP (Fresh Success) - Cluster	10.561	N/A	235,610
U.S. Department of Health and Human Services			
477 Cluster:			
GAIN Program	93.558	N/A	154,535
TANF Program	93.558	N/A	50,395
Total U.S. Department of Health and Human Services/477 Cluster			204,930
Total Expenditures of Federal Awards			$ 9,031,344

See the accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019

	Entitlements			Program Revenues				
Program Title	**Prior Year Carryforward**	**Current Entitlement**	**Total Entitlement**	**Unearned Revenue and Cash Received**	**Accounts Receivable**	**Unearned Revenue and Payables**	**Total**	**Program Expenditures**
Financial Aid - BFAP		$ 378,850	$ 378,850	$ 378,850		$ 166,238	$ 212,612	$ 212,612
EOPS		671,188	671,188	671,188		21	671,167	671,167
CARE		165,925	165,925	165,925			165,925	165,925
DSPS		731,382	731,382	731,382			731,382	731,382
Cal WORKs		382,121	382,121	348,641	$ 19,492		368,133	368,133
Child Development Consortium	$ 27,832	183,705	211,537	174,037	1,415	1,687	173,765	173,765
Full-time Student Success		534,859	534,859	534,859			534,859	534,859
Student Equity	78,698	1,940,486	2,019,184	2,015,996		98,146	1,917,850	1,917,850
Lottery		305,850	305,850	305,850		21,289	284,561	284,561
Staff Diversity		50,000	50,000	50,000			50,000	50,000
Basic Skills	591,887		591,887	72,096	329,329		401,425	401,425
MAA	17,835	10,497	28,332	28,330		15,702	12,628	12,628
Hunger Free Campus	3,697	47,989	51,686	51,686		25,207	26,479	26,479
Guided Pathways	166,832	200,198	367,030	367,030		212,120	154,910	154,910
Cal Grant B & C		517,675	517,675	511,506	6,168		517,674	517,674
MESA	35,642	74,515	110,157	29,806	54,400		84,206	84,206
CTC Apprenticeship	2,561	70,473	73,034	73,034		70,377	2,657	2,657
Veteran's Resource Center	27,633	29,809	57,442	57,442		29,799	27,643	27,643
CTE Enhancement	50,000		50,000	50,000			50,000	50,000
Lifeline	29,554	9,185	38,739	38,739		15,784	22,955	22,955
Strong Workforce	869,864	1,191,915	2,061,779	2,174,366		449,297	1,725,069	1,725,069
Adult Ed AB 104	44,189	554,122	598,311	598,311			598,311	598,311
Adult Ed Data Accountability	5,659		5,659	5,659			5,659	5,659
Instructional Equipment	297,361	132,414	429,775	429,775		2,074	427,701	427,701
Scheduled Maintenance	740,183		740,183	740,183		223,961	516,222	516,222
Proposition 39	420,981		420,981	420,981		270,008	150,973	150,973
EDD - TAA Program		727	727	727			727	727
AB 19 California Promise		218,083	218,083	218,083	17,490		235,573	235,573
Mental Health Support		47,776	47,776	47,776		31,715	16,061	16,061
San Benito County Jail		10,000	10,000	10,000			10,000	10,000
Classified PD - Chancellor		23,537	23,537	23,537		23,537		
Total	$ 3,410,408	$ 8,483,281	$ 11,893,689	$ 11,325,795	$ 428,294	$ 1,656,962	$ 10,097,127	$ 10,097,127

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2019

STATE GENERAL APPORTIONMENT	Reported Data*	Audit Adjustments	Revised Data
Categories			
A. Summer Intersession (Summer 2018 Only)			
1. Noncredit	81.92		81.92
2. Credit	447.72		447.72
B. Summer Intersession (Summer 2019, Prior to July 1, 2019)			
1. Noncredit	0.00		0.00
2. Credit	293.47		293.47
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	2,477.41		2,477.41
(b) Daily Census Contact Hours	89.03		89.03
2. Actual Hours of Attendance Courses:			
(a) Noncredit	520.50		520.50
(b) Credit	672.47		672.47
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	697.58		697.58
(b) Daily Census Procedure Courses	72.38		72.38
(c) Noncredit Independent Study	0.00		0.00
D. Total Full-Time Equivalent Students	5,352.48		5,352.48
Supplemental Information			
E. In-service Training Courses (FTES)	189.82		
F. Basic Skills Courses and Immigrant Education (FTES)			
(a) Noncredit	214.08		
(b) Credit	263.38		
CCFS 320 Addendum			
CDCP Noncredit FTES	168.99		
Centers FTES			
(a) Noncredit	0.00		
(b) Credit	0.00		

*FTES reported in the in the Recal Apportionment Attendance Report (CCFS-320) by the District on November 15, 2019.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2019

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries:							
Contract or Regular	1100	$ 5,027,837		$ 5,027,837	$ 5,027,837		$ 5,027,837
Other	1300	7,269,491		7,269,491	7,269,491		7,269,491
Total Instructional Salaries		12,297,328		12,297,328	12,297,328		12,297,328
Non-Instructional Salaries:							
Contract or Regular	1200				2,554,166		2,554,166
Other	1400				537,245		537,245
Total Non-Instructional Salaries					3,091,411		3,091,411
Total Academic Salaries		12,297,328		12,297,328	15,388,739		15,388,739
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				6,563,092		6,563,092
Other	2300				333,512		333,512
Total Non-Instructional Salaries					6,896,604		6,896,604
Instructional Aides:							
Regular Status	2200	290,542		290,542	290,542		290,542
Other	2400	112,255		112,255	112,255		112,255
Total Instructional Aides		402,797		402,797	402,797		402,797
Total Classified Salaries		402,797		402,797	7,299,401		7,299,401
Employee Benefits	3000	3,735,989		3,735,989	7,756,904		7,756,904
Supplies and Materials	4000				396,601		396,601
Other Operating Expenses	5000	2,012,024		2,012,024	4,138,507		4,138,507
Equipment Replacement	6420						
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		18,448,138		18,448,138	34,980,152		34,980,152

See the accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2019

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) 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 Retirement Incentives	5900	419,074		419,074	419,074		419,074
Student Health Services Above Amount Collected	6441						
Student Transportation	6491						
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740						
Objects to Exclude:							
Rents and Leases	5060				565,056		565,056
Lottery Expenditures:							
Academic Salaries	1000				327,183		327,183
Classified Salaries	2000				208,816		208,816
Employee Benefits	3000				127,106		127,106
Supplies and Materials:	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional Supplies & Materials	4400						
Total Supplies and Materials							
Other Operating Expenses and Services	5000						
Capital Outlay:	6000						
Library Books	6300						
Equipment:	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						
TOTAL EXCLUSIONS		419,074		419,074	1,647,235		1,647,235
Total for ECS 84362, 50% Law		$ 18,029,064		$ 18,029,064	$ 33,332,917		$ 33,332,917
Percent of CEE (Instructional Salary Cost / Total CEE)		54.09%		54.09%	100%		100%
50% of Current Expense of Education					$ 16,666,459		$ 16,666,459

See the accompanying notes to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES
TO DISTRICT ACCOUNTING RECORDS
YEAR ENDED JUNE 30, 2019

Prop 30 EPA Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				$ 1,421,840
Activity Classification	**Activity Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 1,421,840			1,421,840
Total Expenditures for EPA*		$ 1,421,840	$	$	1,421,840
Revenues less Expenditures					$

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS
TO NET POSITION
YEAR ENDED JUNE 30, 2019

Fund Balance per 311:	
Unrestricted General Fund	$ 2,760,888
Restricted General Fund	95,958
Child Development Fund	
Bond Interest and Redemption Fund	7,539,901
Other Debt Service Fund	5,361,737
Capital Projects Fund	1,492,888
Measure X Bond Construction Fund	25,379,682
Self Insurance Fund	(361,560)
Associated Students Trust Fund	354,105
Student Body Center Fee	25,212
Student Financial Aid Fund	11,573
Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	42,660,384
Net audit adjustments:	
General Fund - Overstatement of accounts receivable/revenue	(643,339)
Total Fund Balance	42,017,045
Reconciliation to Net Position:	
Capital assets, net	128,480,934
Deferred amount on refunding	6,506,704
Deferred outflows of resources related to pensions & OPEB	14,376,603
Lease Receivable	427,971
Net pension liability	(45,034,364)
Net OPEB Liability	(3,046,992)
Accrued Interest	(1,990,688)
Long-term debt	(148,565,148)
Deferred inflows of resources related to pensions & OPEB	(1,434,100)
Remove Fiduciary Fund Balances	(379,317)
Remove OPEB Irrevocable Trust Fund	(5,361,737)
Total Net Position	$ (14,003,089)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund
June 30, 2019, Annual Financial and Budget Report (Form CCFS-311)	
Fund Balances	$ 2,760,888
Adjustments and Reclassifications increasing (decreasing) fund balance:	
Overstatement of accounts receivable and revenue:	
(Prop 30 Education Protection Account Accounts Receivable/Non-Operating Revenues)	(467,329)
(Property Taxes Accounts Receivable/Non-Operating Revenues)	(176,009)
Net Adjustments and Reclassifications	(643,338)
June 30, 2019 Financial Statements Fund Balance	$ 2,117,550

No other adjustments were made to the District's Fund Financial Statements.

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2019, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.

- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2019.

Schedule of State Financial Awards

The California Community Colleges Chancellor's Office requires disclosure of the financial activities of all state funded programs. To comply with this requirement, the Schedule of State Financial Assistance is presented.

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

Full-time equivalent students (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 on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of ECS 84362 (50 Percent Law) Calculation

The Reconciliation of ECS 84362 (50 Percent Law) Calculation form shows the annual reported data from the CCFS-311 and any audit adjustments.

Reconciliation of Education Protection Account Expenditures to District Accounting Records

This reconciliation of Education Protection Account expenditures shows the annual general apportionment and the expenditures the District applied toward the apportionment.

Reconciliation of Governmental Funds to Statement of Net Position

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

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

This schedule reports any adjustments made to the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

ADDITIONAL INFORMATION SECTION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND
JUNE 30, 2019
(UNAUDITED)

	Unrestricted General Fund	Restricted General Fund	Restricted Instructional Equipment Fund	Restricted Parking Fund	Risk Management	Bond Interest and Redemption Fund
Assets:						
Current assets:						
Cash and cash equivalents	$ 15,115,513					
Receivables, net	1,799,445	$ 1,337,096			$ 1,374	$ 25,694
Due from other funds	342					
Prepaid expenses/expenditures	427,387					
Total current assets	17,342,687	1,337,096			1,374	25,694
Noncurrent assets:						
Restricted cash and cash equivalents		1,025,425	$ 2,140	$ 36,988	(349,620)	7,514,206
Lease receivable						
Depreciable capital assets, net						
Nondepreciable capital assets						
Total noncurrent assets		1,025,425	2,140	36,988	(349,620)	7,514,206
Total assets	17,342,687	2,362,521	2,140	36,988	(348,246)	7,539,900
Deferred outflows of resources:						
Deferred amount on refunding						
Deferred outflows of resources related to pensions						
Deferred outflows of resources related to OPEB						
Total deferred outflows of resources						
Liabilities:						
Current liabilities:						
Accounts payable	4,613,282	497,350		204	13,314	
Apportionment payable	2,427,709					
TRANS payable	7,379,396					
Accrued payroll	670,489	1,894				
Accrued interest payable						
Unearned revenue	134,262	1,806,242				
Compensated absences						
Long-term liabilities, current portion						
Total current liabilities	15,225,138	2,305,486		204	13,314	
Noncurrent liabilities:						
Net pension liability						
OPEB liability						
Long-term liabilities, noncurrent portion						
Total noncurrent liabilities						
Total liabilities	15,225,138	2,305,486		204	13,314	
Deferred inflows of resources:						
Deferred inflows of resources related to pensions						
Deferred inflows of resources related to OPEB						
Total deferred inflows of resources						
Fund balance/net position:						
Net investment in capital assets						
Restricted for:						
Debt service						7,539,900
Capital projects						
Other special purposes		57,035	2,140	36,784	(361,560)	
Unrestricted	2,117,549					
Total fund balance/net position (deficit)	$ 2,117,549	$ 57,035	$ 2,140	$ 36,784	$ (361,560)	$ 7,539,900

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF FUND BALANCE/NET POSITION BY FUND (Continued)
JUNE 30, 2019
(UNAUDITED)

	Capital Projects Fund	Measure X Bond Construction Fund	Student Financial Aid Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Position
Assets:						
Current assets:						
Cash and cash equivalents			$ (686,962)	$ 14,428,551		$ 14,428,551
Receivables, net	$ 1,936	$ 126,924	698,535	3,991,004		3,991,004
Due from other funds				342	$ (342)	
Prepaid expenses/expenditures				427,387		427,387
Total current assets	1,936	126,924	11,573	18,847,284	(342)	18,846,942
Noncurrent assets:						
Restricted cash and cash equivalents	1,501,297	25,320,220		35,050,656		35,050,656
Lease receivable	427,971			427,971		427,971
Depreciable capital assets, net					94,684,088	94,684,088
Nondepreciable capital assets					33,796,846	33,796,846
Total noncurrent assets	1,929,268	25,320,220		35,478,627	128,480,934	163,959,561
Total assets	1,931,204	25,447,144	11,573	54,325,911	128,480,592	182,806,503
Deferred outflows of resources:						
Deferred amount on refunding					6,506,704	6,506,704
Deferred outflows of resources related to pensions					14,245,375	14,245,375
Deferred outflows of resources related to OPEB					131,228	131,228
Total deferred outflows of resources					20,883,307	20,883,307
Liabilities:						
Current liabilities:						
Accounts payable	10,345	67,461		5,201,956	(342)	5,201,614
Apportionment payable				2,427,709		2,427,709
TRANS payable				7,379,396		7,379,396
Accrued payroll				672,383		672,383
Accrued interest payable					1,990,688	1,990,688
Unearned revenue	427,971			2,368,475	(427,971)	1,940,504
Compensated absences					911,613	911,613
Long-term liabilities, current portion					3,907,412	3,907,412
Total current liabilities	438,316	67,461		18,049,919	6,381,400	24,431,319
Noncurrent liabilities:						
Net pension liability					45,034,364	45,034,364
OPEB liability					3,046,992	3,046,992
Long-term liabilities, noncurrent portion					143,746,124	143,746,124
Total noncurrent liabilities					191,827,480	191,827,480
Total liabilities	438,316	67,461		18,049,919	198,208,880	216,258,799
Deferred inflows of resources:						
Deferred inflows of resources related to pensions					1,278,262	1,278,262
Deferred inflows of resources related to OPEB					155,838	155,838
Total deferred inflows of resources					1,434,100	1,434,100
Fund balance/net position:						
Net investment in capital assets					37,044,585	37,044,585
Restricted for:						
Debt service				7,539,900		7,539,900
Capital projects	1,492,888	25,379,683		26,872,571	(26,872,571)	
Other special purposes			11,573	(254,028)	313,203	59,175
Unrestricted				2,117,549	(60,764,298)	(58,646,749)
Total fund balance/net position (deficit)	$ 1,492,888	$ 25,379,683	$ 11,573	$ 36,275,992	$ (50,279,081)	$ (14,003,089)

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE/NET POSITION BY FUND
JUNE 30, 2019
(UNAUDITED)

	Unrestricted General Fund	Restricted General Fund	Restricted Instructional Equipment Fund	Restricted Parking Fund	Risk Management	Bond Interest and Redemption Fund
Operating revenues:						
Tuition and fees	$ 4,893,908	$ 402,962				
Less: Scholarship discounts and allowance	(2,498,170)					
Net tuition and fees	2,395,738	402,962				
Grants and contracts, noncapital:						
Federal		2,916,085				
State	1,016,106	11,354,438	$ 4,067			
Local	113,521	183,674				
Total operating revenues	3,525,365	14,857,159	4,067			
Operating expenditures/expenses:						
Salaries	20,886,374	6,541,988		$ 281,622	$ 171,681	
Employee benefits	7,764,441	5,303,145		129,326	67,607	
Supplies, materials, and other operating expenses and services	6,560,579	3,349,497	427,700	10,198	308,282	$ 132,999
Student aid		1,819,323				
Depreciation						
Total operating expenditures/expenses	35,211,394	17,013,953	427,700	421,146	547,570	132,999
Loss from operations	(31,686,029)	(2,156,794)	(423,633)	(421,146)	(547,570)	(132,999)
Non-operating revenues (expenditures/expenses):						
State apportionment, noncapital	277,712					
Education protection account	1,421,840					
Local property taxes, noncapital	28,810,550					
State taxes and other revenues	96,869					
Interest income, noncapital	51,361					47,388
Other non-operating revenues (expenditures/expenses)	76,608	133,164		448,941	58,887	2,699,980
Interfund transfers out	(1,502,199)					
Interfund transfers in		1,488,989				
Total non-operating revenues (expenditures/expenses)	29,232,741	1,622,153		448,941	58,887	2,747,368
Gain (loss) before capital activity	(2,453,288)	(534,641)	(423,633)	27,795	(488,683)	2,614,369
Capital activity:						
State apportionment, capital		480,536	128,347			
Local property taxes and other revenues, capital						6,598,072
Other financing sources - Bond Proceeds						
Cost of Issuance						
Interest income, capital					5,514	
Debt reduction						(2,170,000)
Interest expense on capital asset related debt	(179,396)					(4,071,500)
Total capital activity	(179,396)	480,536	128,347		5,514	356,572
Change in fund balance/net position	(2,632,684)	(54,105)	(295,286)	27,795	(483,169)	2,970,941
Fund balance/net position (deficit), beginning of year	4,750,233	111,140	297,426	8,989	121,609	4,568,959
Fund balance/net position (deficit), end of year	$ 2,117,549	$ 57,035	$ 2,140	$ 36,784	$ (361,560)	$ 7,539,900

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENTS OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE/NET POSITION BY FUND (Continued)
JUNE 30, 2019
(UNAUDITED)

	Capital Projects Fund	Measure X Bond Construction Fund	Student Financial Aid Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Position
Operating revenues:						
Tuition and fees				$ 5,296,870		$ 5,296,870
Less: Scholarship discounts and allowance				(2,498,170)		(2,498,170)
Net tuition and fees				2,798,700		2,798,700
Grants and contracts, noncapital:						
Federal			$ 6,112,005	9,028,090		9,028,090
State	$ 740,183			13,114,794	$ (1,277,591)	11,837,203
Local				297,195		297,195
Total operating revenues	740,183		6,112,005	25,238,779	(1,277,591)	23,961,188
Operating expenditures/expenses:						
Salaries	263,265			28,144,930	(11,067)	28,133,863
Employee benefits	78,237			13,342,756	4,104,607	17,447,363
Supplies, materials, and other operating expenses and services	1,302,756	$ 1,272,212		13,364,223	(4,040,050)	9,324,173
Student aid			6,113,662	7,932,985		7,932,985
Depreciation					3,306,633	3,306,633
Total operating expenditures/expenses	1,644,258	1,272,212	6,113,662	62,784,894	3,360,123	66,145,017
Loss from operations	(904,075)	(1,272,212)	(1,657)	(37,546,115)	(4,637,714)	(42,183,829)
Non-operating revenues (expenditures/expenses):						
State apportionment, noncapital				277,712		277,712
Education protection account				1,421,840		1,421,840
Local property taxes, noncapital				28,810,550		28,810,550
State taxes and other revenues				96,869		96,869
Interest income, noncapital	16,965			115,714		115,714
Other non-operating revenues (expenditures/expenses)	789,150			4,206,730	(2,722,485)	1,484,245
Interfund transfers out		(5,115,346)		(6,617,545)	6,617,545	
Interfund transfers in	5,115,346		13,230	6,617,565	(6,617,565)	
Total non-operating revenues (expenditures/expenses)	5,921,461	(5,115,346)	13,230	34,929,435	(2,722,505)	32,206,930
Gain (loss) before capital activity	5,017,386	(6,387,558)	11,573	(2,616,680)	(7,360,219)	(9,976,899)
Capital activity:						
State apportionment, capital				608,883		608,883
Local property taxes and other revenues, capital				6,598,072		6,598,072
Other financing sources - Bond Proceeds		38,000,000		38,000,000	(38,000,000)	
Cost of Issuance		(307,000)		(307,000)		(307,000)
Interest income, capital		126,922		132,436		132,436
Debt reduction	(787,482)	(5,952,518)		(8,910,000)	8,910,000	
Interest expense on capital asset related debt	(496,775)	(100,163)		(4,847,834)	(100,919)	(4,948,753)
Total capital activity	(1,284,257)	31,767,241		31,274,557	(29,190,919)	2,083,638
Change in fund balance/net position	3,733,129	25,379,683	11,573	28,657,877	(36,551,138)	(7,893,261)
Fund balance/net position, beginning of year	(2,240,241)			7,618,115	(13,727,943)	(6,109,828)
Fund balance/net position (deficit), end of year	$ 1,492,888	$ 25,379,683	$ 11,573	$ 36,275,992	$ (50,279,081)	$ (14,003,089)

OTHER INDEPENDENT AUDITOR'S REPORTS

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*

Independent Auditor's Report

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Gavilan Joint Community College District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated Month xx, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.

GILBERT CPAs
Sacramento, California

Month xx, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

Report on Compliance for Each Major Federal Program

We have audited the 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, 2019. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit 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 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 programs for the year ended June 30, 2019.

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, we considered the District's internal control over compliance with the 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 our 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.

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

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

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.

GILBERT CPAs
Sacramento, California

Month xx, 2020

REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH THE CONTRACTED DISTRICT AUDIT MANUAL

Independent Auditor's Report

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

Report on Compliance with Applicable Requirements

We have audited Gavilan Joint Community College District's (the District) compliance with the types of compliance requirements described in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office identified in the schedule below for the year ended June 30, 2019.

Management's Responsibilities

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state 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 Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards and the *Contracted District Audit Manual* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 under the circumstances.

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

In connection with the requirements referred to above, we have selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

- Salaries of Classroom Instructors (50% Law)
- Apportionment for Activities Funded From Other Sources

- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Dual Enrollment (CCAP and Non-CCAP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Proposition 39 Clean Energy Fund
- Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- Education Protection Account Funds

Other Matter

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004 and 2019-005. Our opinion on the types of compliance requirements referred to above is not modified with respect to this matter.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. These responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2019.

GILBERT CPAs
Sacramento, California

Month xx, 2020

FINDINGS AND RECOMMENDATIONS

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______Yes	__X__No
Significant deficiencies identified?	______Yes	__X__None Reported
Noncompliance material to financial statements noted?	______Yes	__X__No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______Yes	__X__No
Significant deficiencies identified?	______Yes	__X__None Reported
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 2 CFR 200.516(a)?	______Yes	__X__No

Identification of major programs

CFDA Numbers	Name of Federal Programs or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Programs Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__X__Yes	______No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	______Yes	__X__No
Significant deficiencies identified?	______Yes	__X__None Reported
Any audit findings disclosed that are required to be disclosed in accordance with Contracted District Audit Manual?	__X__Yes	______No
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III – FEDERAL COMPLIANCE

There were no federal compliance findings reported.

SECTION IV – STATE COMPLIANCE

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.

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

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.

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.

District's Corrective Action Plan:

The District has undergone staffing changes and all new staff responsible for the input of the schedule have received training provided by the Strata Information Group (SIG). The training included a review of the CCCCO requirements in the Student Attendance Accounting Manual (SAAM for the correct input of hours and time blocks required for weekly student contact hour courses. The Deans and District leaderships will conduct regular audits of all weekly courses to ensure contact hours and section information are compliant with the guidelines in the Student Attendance Accounting Manual.

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.

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:

<u>Gilroy Campus:</u>

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

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.

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.

District's Corrective Action Plan:

The District has undergone staffing changes and all new staff responsible for the input of the schedule have received training provided by the Strata Information Group (SIG). The training included a review of the CCCCO requirements in the Student Attendance Accounting Manual (SAAM for the correct input of hours and time blocks required for daily student contact hour courses. The Deans and District leaderships will conduct regular audits of all weekly courses to ensure contact hours and section information are compliant with the guidelines in the Student Attendance Accounting Manual.

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.

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:

Gilroy Campus:

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

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.

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.

District's Corrective Action Plan:

The District has provided training by the Strata Information Group (SIG) that specifically addresses the issues related to constructing and reporting weekly and daily alternative attendance accounting methods. The training included a review of the CCCCO requirements in the Student Attendance Accounting Manual (SAAM for the correct input of hours and time blocks required for daily student contact hour courses. The Deans and District leaderships will conduct regular audits of all weekly courses to ensure contact hours and section information are compliant with the guidelines in the Student Attendance Accounting Manual.

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.

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

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.

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.

District's Corrective Action Plan:

District Administration 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 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 new Academic Scheduling Coordinator and the Office of Research, Planning, and Institutional Effectiveness will schedule and conduct the audit of actual hour classes in accordance with the enrollment management plan timeline. The District will improve professional development and training for faculty related to daily attendance procedures. 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.

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.

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.

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.

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.

District's Corrective Action Plan:

The District staff in conjunction with the Curriculum Committee and Curriculum Technician, following the established cycle for Curriculum review, will audit all course outlines of record (COR) to ensure that the COR accurately reflects the approved number of weeks (18 weeks).

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2019

Condition and Recommendation	Current Status	District Explanation If Not Implemented
FINANCIAL STATEMENT FINDINGS		
2018-001 – FINANCIAL CLOSE PROCESS		
Condition: The District's accounting closing process was not adequate to prepare financial statement in an efficient and timely manner to meet the reporting requirements outlined in the education code. The District's audit was originally scheduled in October 2018 however, completion of the audit was delayed as the District was unable to provide adequate support and reconciliations for the financial statement balances. Final account reconciliations, supporting documentation, trial balances, and the required Annual Financial and Budget Report (311), were not available until February 2019. Additionally, adjustments, revised reconciliations, and updated analyses for numerous financial statement accounts were necessary based on inquiries throughout the audit process **Recommendation:** Reconciliations, review and account analysis should occur on a regular basis to ensure accurate and timely financial reporting. We recommend the District formally document the year-end closing process to include procedures, responsible parties, reviewers, and timelines to improve the efficiency and accuracy of the process.	Partially Implemented. District created a formal year-end closing and review process; however, there were audit adjustments indicating a lack of proper reconciliation, review and account analysis in some financial accounts.	The District Continues to work on more frequent review and account analysis throughout the year. In October 2019 the District was the victim of a ransomware attack before all accounts were completely reconciled and reviewed. Information then had to be recreated to finish the reconciliation process in a very short period of time with limited resources. The District's plan is to accurately reconcile and review all accounts on monthly and quarterly basis.
FEDERAL COMPLIANCE		
2018-002 – ALLOWABLE COSTS		
Condition: Payroll costs were allocated to the program based on budgeted costs and not actual costs. The District did not have a process to perform an after-the-fact determination of actual program costs related to payroll. **Recommendation:** We recommend the District implement a procedure to compare budgeted to actual payroll costs, and record adjustments as necessary for any differences.	Implemented.	

Condition and Recommendation	Current Status	District Explanation If Not Implemented
STATE COMPLIANCE		
2018-003 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – ALTERNATIVE ATTENDANCE		
Condition: We noted one weekly alternative attendance courses were not reported at the correct amount of Contact Hours.	See finding 2019-003.	See District's corrective action plan for finding at 2019-003.
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.		
2018-004 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – ACTUAL HOURS OF ATTENDANCE		
Condition: We noted four actual hours of attendance courses were not reported at the correct amount of contact hours due to human error.	See finding 2019-004	See District's corrective action plan for finding at 2019-004.
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.		

Condition and Recommendation	Current Status	District Explanation If Not Implemented
2018-005 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – DAILY CENSUS COURSES		
Condition: We noted two daily courses were not reported at the correct amount of contact hours due to human error.	See finding 2019-002.	See District's corrective action plan for finding at 2019-002.
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.		