



5055 Santa Teresa Blvd., Gilroy, CA 95020

www.gavilan.edu

(408) 848-4800

Dr. Kathleen A. Rose, Superintendent/President

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
Citizens' Oversight Committee Meeting
April 30, 2018 – 5:30 p.m.
5055 Santa Teresa Boulevard, Gilroy, CA
Student Center Lounge

AGENDA

Tour of Athletic Facilities at 5:30 p.m.
Light Dinner at 6:00 p.m.

I. CALL TO ORDER at 6:15 p.m.
1. Roll Call

II. APPROVAL OF AGENDA

III. CONSENT AGENDA
1. Approve Minutes, June 26, 2017

IV. COMMENTS FROM THE PUBLIC
This is a time for the public to address the Citizens' Oversight Committee
(a maximum of three minutes will be allotted to each speaker)

V. INFORMATION ITEM(S)
1. Item(s) presented at board meetings for information or approval by the Board of Trustees:

July 11, 2017

- Athletic Fields Upgrade Project Change Order #1
- Approval of an agreement with Storm Water Inspection and Maintenance Services, Inc. to provide QSP (Qualified SWPPP Practitioner) for the Athletic Fields Upgrade Project
- Geotechnical Services Agreement with Cornerstone Earth Group
- Laboratory of Record Service Agreement with Consolidated Engineering Laboratories

August 8, 2017

- Coyote Valley Educational Center Increment #1, Change Order #3
- Athletic Fields Upgrade, DSA Project Inspector Services Revision #1
- Laboratory of Record Service Agreement with Earth Systems
- Gymnasium Flooring and Bleachers, Change Order #1

October 10, 2017

- Gymnasium Flooring and Bleachers, Change Order #2

Board of Trustees: Tom Breen
Laura A. Perry, Esq.

Kent Child
Walt Glines

Mark Dover
Lois Locci, Ed.D.

Jonathan Brusco
Daniel Chavez



November 14. 2017

- Notice of Completion for the Coyote Valley Educational Center, Off Site Improvements
- Gymnasium Flooring and Bleachers, Change Order #3
- Resolution #1032 – Resolution Authorizing the Issuance of Gavilan Joint Community College District (Santa Clara and San Benito Counties, California) 2017 General Obligation Refunding Bonds

December 12. 2017

- Gymnasium Flooring and Bleachers, Change Order #4
- Athletic Fields Upgrade Project Change Order #2

January 9. 2017

- FY 2016-2017 Measure E General Obligation Bond Audit Reports
- Gymnasium Flooring and Bleachers, Change Order #5
- Athletic Fields Upgrade Project Change Order #3
- Coyote Valley Educational Center Increment #1, Change order #4

February 13. 2018

- Gilbane Building Company Project Assignment Amendment
- Notice of Completion for the Coyote Valley Educational Center, Increment #1
- Athletic Fields Upgrade Project Change Order #4
- Measure E Bond Quarterly Financial Status Report at December 31, 2017

March 13. 2018

- Athletic Fields upgrade Project Budget Review
- IBI Group Architecture and Planning Project Assignment Amendment augmentation: Athletic Fields Upgrade Project
- Athletic Fields Upgrade, DSA Project Inspector Services, Irick Inspections, Inc., Revision #2
- Notice of Completion for the Gym Bleachers & Flooring Project

April 10. 2018

- IBI Group Architecture and Planning Project Assignment Amendment
- Athletic Fields Upgrade Project Change Order #5

VI. DISCUSSION ITEM(S)

1. Update Measure E Activities
2. Report to the Community
3. General Obligation Bond

VII. ACTION ITEM(s)

1. FY 2016-2017 Measure E Audit Reports
2. Set Next Meeting Date(s)
Suggestion: January 2019

VIII. CLOSING ITEMS

1. Adjournment

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
Citizens' Oversight Committee Meeting
June 26, 2017 – 6:00 p.m.
Gavilan College Coyote Valley Site
650 Bailey Avenue, San Jose, CA

MINUTES

I. CALL TO ORDER

1. A tour of the Coyote Valley site was led by Mike Lombardo, Vice President of Administrative Services for the South Bay Regional Public Safety Consortium and Susan Sweeney, Director of Community Education and Guided Pathways.

2. Roll Call

Committee Members Present: Issa Ajlouny, Suzanne Bulle, Abraham Gomez, John Gould, Dan Kenney, Taha Khan

Dr. Kathleen Rose, Superintendent/President

Frederick E. Harris, Vice President of Administrative Services

Wade Ellis, Assistant Vice President of Business Services and Security

Nancy Bailey, recorder

II. APPROVAL OF AGENDA

MSC (J. Gould/D. Kenney) 6 ayes, 0 nays to approve.

III. CONSENT AGENDA

MSC (D. Kenney/J. Gould) 6 ayes; 0 nays to approve the minutes of February 27, 2017.

V. COMMENTS FROM THE PUBLIC – No comments.

VI. INFORMATION ITEM(S)

1. Fred Harris provided an overview of the items presented at board meetings for information or approval by the Board of Trustees. He noted that several projects had closed since the February, 2017 Citizens' Oversight Committee meeting including the San Martin Aviation Project, the Student Center seismic upgrade project, and most of the Coyote Valley Phase I project. He said the remainder of the Measure E bond funding is encumbered to assist with the gymnasium and sports fields' projects.

March 14, 2017

- Gavilan Project Updates and Project Schedule
- FY 2015 – 2016 Measure E General Obligation Bond Audit Reports
- Notice of Completion for the San Martin Aviation Project
- IBI Group Architecture and Planning Project Assignment Amendments Augmentations
- Coyote Valley Center Increment #2, Change Order #7

April 11, 2017

- Gavilan Project Updates and Project Schedule
- Notice of Completion for the Coyote Valley Educational Center, Increment #2
- Gavilan Gym Roof Replacement, Change Order #3
- Consider and Award Bid for the Gym Bleachers and Flooring Project

May 9, 2017

- Measure E Bond Quarterly Financial Status Report at March 31, 2017
- Coyote Valley Educational Center Increment #1 Change Order #2
- Gavilan Gym Roof Replacement, Charge Order #4
- Project Inspector Service Agreement with Irick Inspections, Inc.
- Approval of an agreement with Enviro Science, Inc. for an Independent Contractor Services for Gavilan College Gym Bleacher & Flooring Project

June 13, 2017

- Notice of Completion for the Coyote Valley, Low Voltage Package
- Consider and Accept Bid for Athletic Fields Upgrade Project

VII. DISCUSSION ITEM(S)

1. Update Measure E Activities

Fred Harris and Kathleen Rose spoke about the recent bid award for the Athletic Fields Upgrade Project which is funded by both Measure E and Lease Revenue bonds. The bids were over the budgeted project amount and will result in delaying the football and track fields improvements from the project to remain within budget. Fred Harris said this project is funded by both Measure E encumbered funds and Lease Revenue bonds. Gavilan's Board of Trustees and staff see the deduction of the football and track fields in the contract as only a delay in improvements. Alternate sources of funding are being explored. Kathleen Rose said this project will be a topic of discussion at the June 28, 2017 Gavilan College Educational Foundation meeting.

Fred Harris reported out on other facility projects on campus that were not funded by Measure E including the upcoming completion of the swimming pool. He noted that due to seismic upgrade concerns that the chapel, historic Mayock House, and golf clubhouse have been closed indefinitely.

VIII. ACTION ITEM(s)

1. Set Next Meeting Date

MSC (D. Kenney/I. Aljouny) 6 ayes 0 nays to schedule the next meeting on March 19, 2018 at the Gilroy campus at 4:00 p.m. A tour of completed projects will be on the agenda in addition to Measure E bond final audit reports for both FY16/17 and FY17/18. This should be the last scheduled meeting for the Citizens' Oversight Committee.

IX. CLOSING ITEMS

1. Adjournment

MSC (D. Kenney/J. Gould) 6 ayes 0 nays to adjourn at 6:50 p.m.

**GAVILAN JOINT COMMUNITY
COLLEGE DISTRICT
MEASURE E BOND
CONSTRUCTION FUND**

GILROY, CALIFORNIA

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2017

Measure E Report as of March 2, 2018

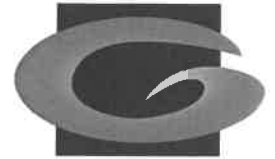
The information in this report includes only items that are posted to Banner. This does not take into consideration any requisitions not yet processed or invoices not yet paid

<i>Program</i>	<i>Budget</i>	<i>Total Expenses as of 03-02-2018</i>	<i>Encumbrances as of 03-02- 2018</i>	<i>Available Balance as of 03-02-2018</i>
PROJECTS IN PROGRESS				
670560 - Gymnasium & Sports Field Renovations	5,134,069	5,134,069	-	-
Total Projects In Progress	\$ 5,134,069	\$ 5,134,069	\$ -	\$ -
CLOSED PROJECTS				
- Debt Payment	\$ 3,625,796	\$ 3,625,796	\$ -	\$ -
660060 - Program Contingency	213,867	213,867	-	-
660360 - Planning - District	133,801	133,801	-	-
660560 - Planning - Main Campus	4,582,646	4,582,646	-	-
662260 - Coyote Valley Ed Center	13,781,371	13,781,371	-	-
662060/662160 - Coyote Valley Prop (Property/Develop)	21,632,795	21,632,795	-	-
663060/663160 - San Benito Prop (Property/Develop)	9,456,158	9,456,158	-	-
663260 - Hollister Ed Center	9,625	9,625	-	-
665060 - Local Funds Off-Site Development	69,998	69,998	-	-
670060/671460 - Campus Infrastructure/Tech	8,036,484	8,036,484	-	-
670160 - Tennis Court Renovations	111,859	111,859	-	-
670260 - Interim Housing/Swing Space	4,416,466	4,416,466	-	-
670260-1 - HVAC Control Replacement	446,255	446,255	-	-
670360 - Math, Physical Science, Life Science	6,081,010	6,081,010	-	-
670360-1 - Electrical Service Loop	162,295	162,295	-	-
670460 - Occupational ED (OE)	4,706,937	4,706,937	-	-
670660 - Humanities/Art/Music Hall	4,398,348	4,398,348	-	-
670760 - Student Center/Administration	9,470	9,470	-	-
670860 - Cosmetology/Business	3,903,843	3,903,843	-	-
671060 - Social Sciences	3,918,035	3,918,035	-	-
671160 - Security/Maintenance Building	1,432,750	1,432,750	-	-
671260 - Cafeteria Renovations & HVAC	217,419	217,419	-	-
671260 - Student Center Beam Replacement	185,481	185,481	-	-
671360 - Parking Lot/Campus Lighting	4,437,518	4,437,518	-	-
671360-1 Demo CJ500 Old Acad PB Rebuild	55,615	55,615	-	-
671460 - South County Airport Development	3,839,556	3,839,556	-	-
671560 - GECA Relocation Parking Lot C	1,223,485	1,223,485	-	-
671660 - Furniture and Equipment Upgrade	189,280	189,280	-	-
672360 - Scheduled Maintenance (Match for FY 13/14)	165,849	165,849	-	-
672460 - Instructional Equipment (Match for FY 13/14)	786,320	786,320	-	-
672560 - Scheduled Maintenance (Match for FY 14/15)	204	204	-	-
673060 - Multi-Purpose Building Upgrades	24,486	24,486	-	-
673160 - CDC Reconfiguration & Upgrade	490,803	490,803	-	-
673260 - General Building Upgrades	26,253	26,253	-	-
680160 - Technology / ERP System	3,511,130	3,511,130	-	-
680260 - Eprocurement	13,851	13,851	-	-
680360 - Computer / Phone System	1,111,376	1,111,376	-	-
680460 - Existing Well Replacement	70,947	70,947	-	-
680560 - Water Replacement Project	302,791	302,791	-	-
680660 - Technology, Phase 2	1,039,083	1,039,083	-	-
680760 - Computer Replacement, Phase 2	123,326	123,326	-	-
Total Closed Projects	\$ 108,944,582	\$ 108,944,582	\$ -	\$ -
Grand Total Measure E as of March 2, 2018	\$ 114,078,651	\$ 114,078,651	\$ -	\$ -

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E BOND CONSTRUCTION FUND**

**TABLE OF CONTENTS
JUNE 30, 2017**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenditures, and Change in Fund Balance	4
Notes to Financial Statements	5
OTHER REPORT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9



Gilbert Associates, Inc.
CPAs and Advisors

Relax. We got this.™

INDEPENDENT AUDITOR'S REPORT

**To the Measure E Facilities Bond Citizens' Oversight Committee
and Board of Trustees
Gavilan Joint Community College District
Gilroy, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure E Bond Construction Fund (the Bond Fund) of the Gavilan Joint Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Fund of the District, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure E Construction Bond Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2017, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, 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 Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 20, 2017

FINANCIAL STATEMENTS

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E BOND FUND**

**BALANCE SHEET
JUNE 30, 2017**

ASSETS:

Restricted cash and cash equivalents	\$ 5,701,020
Accounts receivable	11,355
Security deposits	16,512
Lease receivable	<u>473,021</u>
 Total assets	 <u>\$ 6,201,908</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE:

Liabilities:	
Accounts payable	\$ 748,145
Due to District	<u>61,044</u>
Deferred inflows of resources:	
Unavailable revenue	<u>473,021</u>
Fund balance:	
Restricted fund balance	<u>4,919,698</u>
 Total liabilities, deferred inflows, and fund balance	 <u>\$ 6,201,908</u>

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E BOND FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2017**

REVENUES:

Interest income	\$ 28,516
Rents and leases income	24,831
Other local revenue	<u>8,256</u>
Total revenues	<u>61,603</u>

EXPENDITURES:

Capital outlay	<u>5,706,289</u>
Change in fund balance	(5,644,686)
RESTRICTED FUND BALANCE - BEGINNING OF YEAR	<u>10,564,384</u>
RESTRICTED FUND BALANCE - END OF YEAR	<u>\$ 4,919,698</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT MEASURE E BOND CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Gavilan Joint Community College District (the District) was established on July 1, 1963. The District is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area, with operations covering 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.

These financial statements present only the District's Measure E Construction Bond Fund (the Bond Fund), which was established to account for the expenditures of the proceeds of general obligation bonds issued under the General Obligation Bonds Election of 2004. These financial statements do not include financial data for the remainder of the District's funds, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The Measure E bond authorization (the Measure) is a facilities and equipment bond measure adopted by the District's Board of Trustees and passed by voters on March 2, 2004. The Measure authorized up to \$108,000,000 in bond issues, which were issued as follows:

- In June 2004, the District issued \$29,170,000 of General Obligation Bonds, 2004 Series A, and \$830,000 of General Obligation Bonds, 2004 Series B. The Bonds were issued to finance the construction and modernization of District facilities and to refund certain lease obligations. In April 2012, the District refunded \$22,770,000 of the 2004 Series A General Obligation Bonds through the issuance of the 2012 Series A and Series B General Obligation Refunding Bonds. The Refunding Bonds mature through August 2024 and August 2028, respectively, and bear interest at rates ranging from 2.000% to 5.000%. The remaining 2004 Series A Bonds mature through 2028 and bear interest at rates ranging from 2.000% to 5.375%. The 2004 Series B Bonds matured on August 1, 2006.
- In December 2007, the District issued \$50,000,000 of General Obligation Bonds, 2004 Series C. The Bonds were issued to finance the construction and modernization of District facilities, the acquisition of equipment, and to pay the costs of issuance associated with the Bonds. The Bonds were partially refunded in the current year. Refer to 2015 General Obligation Refunding bonds below. 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, and to pay the costs associated with the issuance of the bonds. The 2015 Series C Refunding Bonds mature through August 2032 and bear interest at rates ranging from 3.000% to 5.000%. The remaining 2004 Series C Bonds will mature August 2018 and bear interest at 4.000%.
- 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 mature through August 2035 and bear interest at rates ranging from 2.000% to 5.750%.

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The Bonds represent an obligation of the District payable solely from ad valorem property taxes levied and collected by the County of Santa Clara and the County of San Benito on properties within the District. The Board of Supervisors of the Counties has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District without limitation of rate or amount, except as to certain personal property which is taxable at limited rates. The District has established a separate debt service fund to account for the collection and remittance of bond principal and interest payments. Additional information on the bonds' payment schedules can be found in the District's financial statements.

2. SUMMARY OF 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).

Measurement focus and basis of accounting – Measurement focus indicates the type of resources being measured, while the basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The Bond Fund is a governmental fund, and has been presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, and are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred.

Cash and cash equivalents – For the purpose 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 to purchase or construct capital or other assets is classified as a restricted asset in the balance sheet.

Due to District – At June 30, 2017, an interfund payable balance of \$61,044 was due to the Bond Fund from the District's general fund.

Restricted fund balance – Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Bond Fund in accordance with the project list for the 2004 General Obligation Bonds.

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 expenditures during the reporting period. Actual results could differ from those estimates.

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Encumbrances – Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30, 2017.

3. RESTRICTED CASH AND EQUIVALENTS

The Bond Fund's cash and equivalents at June 30, 2017 consisted of \$5,701,020 held in the County Treasury investment pool. All cash held in the Bond Fund is considered restricted, as it is restricted for specific purposes in accordance with Measure E and the bond issuances.

Cash in County Treasury – In accordance with Education Code Section 41001, the Bond Fund maintains 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 debt agreements – Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The debt agreements specify that bond proceeds are to be invested in the Treasury's investment pool.

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, 2017, the weighted average maturity of the investments contained in the Treasury's investment pool is approximately 528 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, 2017, the Bond Fund had no concentrations of credit risk.

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
MEASURE E BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

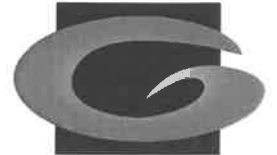
Derivative investments – The Bond Fund did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available.

4. LEASE RECEIVABLE

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. The first payment was due in the year ended June 30, 2014. Payments are due on November 15 of each year, and therefore all future payments have been recorded as unavailable revenue in the Bond Fund's balance sheet. Revenue will be recorded as payments are received, as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2018	\$ 22,525
2019	22,525
2020	22,525
2021	22,525
2022	22,525
2023-2027	112,624
2028-2032	112,624
2033-2037	112,624
2038	<u>22,525</u>
	<u>\$ 473,021</u>

OTHER REPORT



Gilbert Associates, Inc.
CPAs and Advisors

Relax. We got this.

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

To the Measure E Facilities Bond Citizens' Oversight Committee
and 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 Measure E Bond Construction Fund (the Bond Fund) of the Gavilan Joint Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

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.

To the Measure E Facilities Bond Citizens' Oversight Committee
and Board of Trustees
Gavilan Joint Community College District
Page 2

Compliance and Other Matters

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

GILBERT ASSOCIATES, INC.
Sacramento, California

December 20, 2017

**GAVILAN JOINT COMMUNITY
COLLEGE DISTRICT
PROPOSITION 39 AND
MEASURE E GENERAL
OBLIGATION BONDS**

GILROY, CALIFORNIA

PERFORMANCE AUDIT

YEAR ENDED JUNE 30, 2017

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 AND MEASURE E GENERAL OBLIGATION BONDS**

**TABLE OF CONTENTS
JUNE 30, 2017**

	<u>PAGE</u>
Independent Auditor's Report	1
Objectives	2
Scope of the Audit	2
Background Information	2
Procedures Performed	4
Conclusion	5
Management Comments and Recommendations	5

INDEPENDENT AUDITOR'S REPORT

**Bond Citizens' Oversight Committee
and Board of Trustees
Gavilan Joint Community College District
Gilroy, California**

We have conducted a performance audit of the Gavilan Joint Community College District's (the District) Measure E General Obligation Bonds for the year ended June 30, 2017.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 2 of this report, which includes determining the compliance with the performance requirements for the Proposition 39 Measure E General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicated that, in all significant respects, the Gavilan Joint Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2017, only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 20, 2017

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURE E GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2017

OBJECTIVES

The objectives of our performance audit were to determine that the Gavilan Joint Community College District (District) expended Measure E General Obligation Bond funds for the year ended June 30, 2017, only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

SCOPE OF THE AUDIT

The District provided to us a list of all Measure E General Obligation Bond project expenditures for the year ended June 30, 2017 (the "List"), totaling \$5,706,289. The expenditures included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community colleges, and county offices of education "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district or community college establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1 (b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1 (b)(3)(C) of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1 (b)(3)(D) of Article XIII A of the California Constitution.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURE E GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2017

On March 2, 2004, the electorate of the Gavilan Joint Community College District approved the \$108 million Measure E General Obligation Bonds, with greater than 55% of the votes in favor. The summarized text of the ballot language was as follows:

"To prepare students for jobs/four-year colleges, accommodate increasing enrollment and upgrade Gavilan College campuses in Gilroy, San Benito and the Morgan Hill area by: Improving fire safety and security; Upgrading plumbing/sewer systems; Upgrading wiring for computer technology; Repairing, acquiring, constructing, equipping classrooms, buildings, libraries and sites, shall Gavilan Joint Community College District issue \$108,000,000 in bonds at legal rates with citizen oversight, guaranteed annual audits, no money for administrators' salaries?"

Following is the Measure E Bond Projects listing:

- Planning – Main campus, Coyote Valley Education Center, and Hollister Education Center
- Land Acquisition Coyote Valley, San Benito
- Physical Education Building
- Library/TV Studio Buildings
- Administration/Student Services Building
- Water Treatment System
- GECA Relocation
- Student Center Beam Replacement
- South County Airport Development
- Electrical Service Loop
- HVAC Control Replacement
- Demolition Projects
- Interim Housing Swing Space
- Infrastructure
- Science Complex: Life Science, Physical Science, and Math
- Humanities, Art and Music Buildings
- Cosmetology and Business Buildings
- Security and Maintenance Building
- Social Science Building
- Occupational Education Building (renamed Multi-Purpose)
- Cafeteria Renovation & HVAC
- Parking Lots/Campus Lighting
- Technology/ERP
- Computer/Phone System
- Tennis Courts
- Existing Well Replacement

In June 2004, the District issued \$29,170,000 of General Obligation Bonds, 2004 Series A, and \$830,000 of General Obligation Bonds, 2004 Series B. The Bonds were issued to finance the construction and modernization of District facilities and to refund certain lease obligations. In April 2012, the District refunded \$22,770,000 of the 2004 Series A General Obligation Bonds through the issuance of the 2012 Series A and Series B General Obligation Refunding Bonds. The Refunding Bonds

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT PROPOSITION 39 AND MEASURE E GENERAL OBLIGATION BONDS

PERFORMANCE AUDIT JUNE 30, 2017

mature through August 2024 and August 2028, respectively, and bear interest at rates ranging from 2.000% to 5.000%. The remaining 2004 Series A Bonds mature through 2028 and bear interest at rates ranging from 2.000% to 5.375%. The 2004 Series B Bonds matured on August 1, 2006.

In December 2007, the District issued \$50,000,000 of General Obligation Bonds, 2004 Series C. The Bonds were issued to finance the construction and modernization of District facilities, the acquisition of equipment, and to pay the costs of issuance associated with the Bonds. The Bonds mature through 2032 and bear interest at rates ranging from 4.000% to 5.000%. In August 2015, the District refunded \$45,485,000 of the 2004 Series C General Obligation Bonds through the issuance of the 2015 Series C General Obligation Refunding Bonds. The Refunding Bonds mature through August 2032, and bear interest at rates ranging from 3.000% to 5.000%. The remaining 2004 Series C Bonds mature through August 2018 and bear an interest rate of 4.000%.

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 mature through August 2035 and bear interest at rates ranging from 2.000% to 5.750%.

The financial activity related to the use of the proceeds of the Measure E General Obligation Bonds is recorded in the District's Financial Activity Report for Fund 600 (Measure E Construction Bond Fund) in the District's financial statements. The District has established a separate debt service fund to account for the collection and remittance of bond principal and interest payments. Additional information on the bonds' payment schedules can be found in the District's financial statements.

PROCEDURES PERFORMED

We obtained the Measure E Construction Bond Fund general ledger and the project expenditure detail reports prepared by the District for the fiscal year ended June 30, 2017. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure E General Obligation Bond funding. We performed the following procedures:

- We reviewed the list of projects being performed to verify that the list of intended projects is consistent with the District's Measure E Bond Projects Listing.
- We verified that the District created the required capital outlay fund in order to account for the bond proceeds and expenditures, and that proceeds from the sale of the bonds were deposited in this fund.
- We selected a sample of expenditures in the fiscal year ended June 30, 2017, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We verified that funds were used for the construction, acquisition, furnishing, and equipping of District facilities, and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

**GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 AND MEASURE E GENERAL OBLIGATION BONDS**

**PERFORMANCE AUDIT
JUNE 30, 2017**

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the Gavilan Joint Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2017, only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1 (b)(3)(C) of Article XIII A of the California Constitution. Our audit does not provide a legal determination on the District's compliance with specific requirements.

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None.