

To the Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We are pleased to present this letter related to the conduct of the audit of the financial statements of Gavilan Joint Community College District (the "District") as of and for the year ended June 30, 2011. This report is intended to inform the Board of Trustees of Gavilan Joint Community College District about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities.

The following summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Gavilan Joint Community College District's financial reporting process.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of Gavilan Joint Community College District for the year ended June 30, 2011 was conducted in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In accordance with *Governmental Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the District's internal control or compliance with laws and regulations.

Adoption of, or Change in, Accounting Policies

The Board of Trustees and management have the ultimate responsibility for the appropriateness of the accounting policies used by the District. Significant accounting policies are included in Note 1 to the financial statements. Following is a description of a significant accounting policy or its application which was either initially selected or changed during the year:

- The District adopted Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus* (GASB Codification Section 150) on July 1, 2010. The adoption of this statement did not have a material impact on the District's net assets, change in net assets and cash flows.

Adoption of, or Change in, Accounting Policies (Continued)

The following financial accounting standards have been issued but were not required to be adopted for the year ended June 30, 2011:

Accounting and Financial Reporting for Service Concession Arrangements

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs included long-term arrangements in which a government (the "transferor") engages a company or another government (the "operator") to operate a major capital asset in return for the right to collect fees from users of the capital asset. In these SCAs, the operator generally makes a large up-front payment to the transferor. Alternatively, the operator may build a new capital asset for the transferor and operate it on the transferor's behalf. The requirements of GASB Statement No. 60 are effective for financial statements for periods beginning after December 15, 2011. In general, its provisions are required to be applied retroactively for all periods presented. The adoption of GASB Statement No. 60 is not expected to have a material impact on the District's net assets.

The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and 34

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since GASB 14 and GASB 34 were issued in 1991 and 1999, respectively. This statement is intended to improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). In addition, GASB 61 amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. The requirements of GASB 61 are effective for financial statements for periods beginning after June 15, 2012. The District is currently assessing the potential effect of GASB Statement No. 61 on its net assets.

Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. GASB 62 incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989:

Adoption of, or Change in, Accounting Policies (Continued)

Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (Continued)

- FASB Statements and Interpretations;
- Accounting Principles Board Opinions; and
- Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure.

By incorporating and maintaining this guidance in a single source, the GASB believes that GASB Statement No. 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports. In addition, GASB Statement No. 62 is expected to improve financial reporting by eliminating the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of relevant guidance in financial statements of state and local governments. Further, GASB Statement No. 62 contributes to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they can be found within a single source. The requirements of GASB Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011. The adoption of GASB Statement No. 62 will have no impact on the District's net assets.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Accounting Estimates and Management Judgments

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the Apportionment Calculation. You may wish to monitor throughout the year the process used to compute and record these accounting estimates.

We have evaluated the reasonableness of accounting estimates in relationship to the financial statements taken as a whole and concluded that management's approach to these estimation processes is reasonable.

Significant Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected Misstatements

We noted one uncorrected misstatement, that was determined by management to be immaterial to the financial statements taken as a whole, that was not made to the financial statements. This uncorrected misstatement is summarized in the accompanying schedule.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited financial statements of the District.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Material Written Communications Between Management and Our Firm

Enclosed you will find copies of all material written communications between our firm and the management of Gavilan Joint Community College District.

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We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Gavilan Joint Community College District.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than the specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 16, 2011

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT
SUMMARIZED SCHEDULE OF UNCORRECTED MISSTATEMENTS
JUNE 30, 2011

| <u>Description</u> | <u>Effect – Increase (Decrease)</u> | | | | |
|--|-------------------------------------|--------------------|--------------------------|-------------------|-----------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Equity</u> | <u>Revenue</u> | <u>Expenses</u> |
| - To reverse prior year fair market value adjustment on cash in County Investment Pool | \$ 293,371 | | | \$ 293,371 | |
| Total Effect | | | \$ 293,371 | \$ 293,371 | \$ - |
| Balance Sheet Effect | <u>\$ 293,371</u> | <u>\$ -</u> | <u>\$ 293,371</u> | | |

GAVILAN COLLEGE

5055 Santa Teresa Blvd., Gilroy, CA 95020

www.gavilan.edu

408-848-4800

Steven M. Kinsella, DBA, CPA, Superintendent/President

December 16, 2011

Crowe Horwath LLP
Sacramento, California

In connection with your audit of the basic financial statements of Gavilan Joint Community College District as of and for the year ended June 30, 2011, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of December 16, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units.
 - b. Other organizations for which the nature and significance of their relationship Gavilan Joint Community College District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Jointly governed organizations in which we participated.
3. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria. We believe that all judgmentally determined major funds are particularly important to the financial statement users.
6. We are responsible for compliance with laws and regulations applicable to the District including adopting, approving, and amending budgets.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
8. We have identified in the schedule of expenditures of Federal awards all such assistance received, both directly and as a subrecipient, in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations by Gavilan Joint Community College District, Gilroy, California.



Board of Trustees: Tom Breen
Walt Glines

Kent Child
Tony Ruiz

Mark Dover
Laura A. Perry, Esq.

Mike Davenport

Aaron Keller, Student Trustee

9. We have:
 - a. Identified to you all applicable generic compliance requirements.
 - b. Identified to you all applicable agency program requirements.
 - c. Complied with reporting requirements in connection with the expenditure of Federal awards identified in the schedule of expenditures of Federal awards.
 - d. Determined amounts claimed or used to comply with matching requirements of Federal awards identified in the schedule of expenditures of Federal awards in accordance with guidance provided by OMB Circular A-87, "Cost Principles for State and Local Governments," and the OMB's Uniform Administrative Requirements for "Grants and Cooperative Agreements to State and Local Governments."
 - e. Complied with applicable costs principles for determining the allowability of costs charged to cost pools used to support an indirect cost rate.
 - f. Provided you with a summary schedule of prior audit findings consistent with the requirements of OMB Circular No. A-133, Section .315(b).
 - g. We have identified San Jose State University as a subrecipient of STEM Federal awards of which the District is responsible for Federal compliance requirements.
 - h. Identified and disclosed to you all amounts that have been questioned, and all known instances of noncompliance with statutory, regulatory and contractual requirements that could have a material effect on a major Federal financial assistance program.
10. Information presented in Federal financial reports and claims for advances and reimbursements is supported by the books and records from which the basic financial statements have been prepared.
11. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory or contractual provisions or requirements.
 - 2) Financial reporting practices that could have a material effect on the financial statements.
12. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
13. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting Gavilan Joint Community College District received in communications from employees, former employees, analysts, regulators, short sellers, or others.

15. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
16. We know of no violations of state or Federal statutory or regulatory provisions, grant or other contractual provisions, or of provisions of local ordinances (except for those which have been communicated to you or which are disclosed in the financial statements and/or your reports).
17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
18. Where applicable, the following have been properly recorded and/or disclosed in the financial statements:
 - a. Related party transactions, including those with (the primary government having accountability for Gavilan Joint Community College District, and jointly governed organizations in which Gavilan Joint Community College District participates as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
 - b. Guarantees, whether written or oral, under which the Government is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Line of credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - h. The fair value of investments.
 - i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - j. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
 - k. Debt issue re-purchase options or agreements, or sinking fund debt re-purchase ordinance requirements.
 - l. Debt issue provisions.
 - m. All leases and material amounts of rental obligations under long-term leases.
 - n. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the Financial Accounting Standards Board (FASB) No. 105, *Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - o. Authorized but unissued bonds and/or notes.
 - p. Risk financing activities.
 - q. Special and extraordinary items.

- r. Deposits and investment securities category of custodial credit risk.
 - s. Impairment of capital assets.
19. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.
- a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2011 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2011.
 - e. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2011.
 - f. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - g. For any material loss to be sustained as a result of purchase commitments.
 - h. For environmental clean up obligations.
20. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB No. 5, *Accounting for Contingencies*, and/or GASB Codification Section 1500.110.
21. Unless disclosed to you, there have been no complaints filed with or concerning our compliance with the provisions of:
- a. Davis-Bacon Act relative to payment of prevailing wage rates.
 - b. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 relative to acquisition of real property and the relocation of occupants of acquired property.
22. We acknowledge the following:
- a. It is our responsibility for understanding and complying with the compliance requirements.
 - b. It is our responsibility for establishing and maintaining controls that provide reasonable assurance that the entity administers government programs in accordance with the compliance requirements.

- c. We have identified and disclosed to the auditor all of its government programs and related activities subject to the governmental audit requirement.
 - d. We have made available to the auditor all contracts and grant agreements, including amendments, if any, and any other correspondence relevant to the programs and related activities subject to the governmental audit requirement.
 - e. We have disclosed to the auditor all known noncompliance with the applicable compliance requirements or stating that there was no such noncompliance.
 - f. We believe that the entity has complied with the applicable compliance requirements (except for noncompliance it has disclosed to the auditor).
 - g. We have made available to the auditor all documentation related to compliance with the applicable compliance requirements.
 - h. We have identified our interpretation of any applicable compliance requirements that are subject to varying interpretations.
 - i. We have disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
 - j. We have disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
 - k. We have disclosed to the auditor all known noncompliance with the applicable compliance requirements subsequent to the period covered by the auditor's report or stating that there were no such known instances stating that management is responsible for taking corrective action on audit findings of the compliance audit.
23. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB No. 5, *Accounting for Contingencies*, and/or GASB Codification Section 1500.110.
24. We are responsible for taking corrective action on audit findings.
25. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
26. We have satisfactory title to all owned assets.
27. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
28. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, when applicable, approved.
29. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

30. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
31. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
32. Required supplementary information is properly measured and presented.
33. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
34. Other than those disclosed within the Schedule of Audit Findings and Questioned Costs, we are not aware of any additional internal control weaknesses or reportable conditions that should be reported. We are responsible for establishing and maintaining effective internal control over financial reporting.
35. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. We have informed you of all individual unrecorded misstatements of which we are aware, and such misstatements are included in the attached schedule. We believe that the effect of the uncorrected misstatements aggregated by you and summarized on the attached schedule are immaterial to the statements of net assets, revenues, expenses and change in net assets, and cash flows and to the related financial statement disclosures. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.
36. During the year ended June 30, 2011, it was determined that the Other Postemployment Benefits (OPEB) asset was overstated by \$4,739,981 as of June 30, 2010. Accordingly, the OPEB asset and the Net Assets were decreased by this amount as of July 1, 2010 for the correction of this error.
37. No events or transactions have occurred subsequent to the statement of net assets date and through the date of this letter, other than that event disclosed in the footnotes to the financial statements, that would require adjustment to, or disclosure in, the financial statements.
38. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Gavilan Joint Community College District



Joseph D. Keeler
Vice President of Administrative Service



Susan Cheu
Director of Business Services

Gavilan Joint Community College District
 Summary of Passed Adjustments
 Year Ended June 30, 2011

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of net assets, revenues, expenses and change in net assets, and cash flows and to the related financial statement disclosures. Following is a summary of those differences as measured using the rollover approach.

| <u>Description</u> | <u>Effect – Increase (Decrease)</u> | | | | |
|---|-------------------------------------|--------------------|-------------------|-------------------|----------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Equity</u> | <u>Revenue</u> | <u>Expense</u> |
| To reverse stale fair market value adjustment on cash in County Investment Pool | \$ 293,371 | | | \$ 293,371 | |
| Total Effect | | | (293,371) | <u>\$ 293,371</u> | <u>\$</u> |
| Balance Sheet Effect | <u>\$ 293,371</u> | <u>\$</u> | <u>\$ 293,371</u> | | |

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Steven M. Kinsella, DBA, CPA, Superintendent/President

December 16, 2011

Crowe Horwath LLP
400 Capitol Mall, Suite 1200
Sacramento, California 95814

In connection with your performance audit of the Gavilan Joint Community College District Measure E General Obligation Bonds as of June 30, 2011 for the purpose of determining District compliance with the requirements of Proposition 39, we confirm to the best of our knowledge and belief, as of December 16, 2011 the following representations made to you during your audit:

1. We are responsible for compliance with laws and regulations applicable to Gavilan Joint Community College District Measure E General Obligation Bonds including adopting, approving, and amending budgets.
2. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
3. We have made available to you all financial records and related data of Gavilan Joint Community College District Measure E General Obligation Bonds funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
4. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
5. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting Gavilan Joint Community College District Measure E General Obligation Bonds received in communications from employees, former employees, analysts, regulators, short sellers, or others.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
9. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related party transactions, including those with the primary government having accountability for Gavilan Joint Community College District Measure E General Obligation Bonds, component units for which Gavilan Joint Community College District Measure E General Obligation Bonds is accountable, other organizations for which the nature and significance of their relationship with Gavilan Joint Community College District Measure E General Obligation Bonds are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, joint ventures in which Gavilan Joint Community College District Measure E General Obligation Bonds has an interest, and jointly governed organizations in which Gavilan Joint Community College District Measure E General Obligation Bonds participates, all as defined in Section 2100 of the Governmental Accounting



Board of Trustees: Tom Breen
Walt Glines

Kent Child
Tony Ruiz

Mark Dover
Laura A. Perry, Esq.

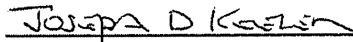
Mike Davenport

Aaron Keller, Student Trustee

Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.

- b. Guarantees, whether written or oral, under which the Government is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Line of credit or similar arrangements.
 - e. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - f. The fair value of investments.
 - g. Authorized but unissued bonds and/or notes.
 - g. Risk financing activities.
 - i. Special and extraordinary items.
 - j. Deposits and investment securities category of custodial credit risk.
10. There are no:
- a. Material transactions that have not been properly recorded in the accounting records related to Gavilan Joint Community College District Measure E General Obligation Bonds.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Financial Accounting Standards Board (FASB) No. 5, *Accounting for Contingencies* and/or GASB Statement No. 10.
11. We are not aware of any internal control weaknesses or reportable conditions that should be reported (other than the matters communicated in the audited financial statements). We are responsible for establishing and maintaining effective internal control over financial reporting.
12. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Gavilan Joint Community College District



Joseph D. Keeler
Vice President of Administrative Service



Susan Cheu
Director of Business Services