

**GAVILAN JOINT COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited the accompanying financial statements of the Gavilan Joint Community College District (the District) as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gavilan Joint Community College District as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 11 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005, 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 or testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the additional Supplementary Information including the Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vaunika Troni, Day & Co., LLP

Fresno, California

October 28, 2005

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

This section of Gavilan Joint Community College District's 2004-2005 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Gavilan Joint Community College District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 35.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary. The District only has two categories, business type activities and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The District does not have any governmental type activities.

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus.

A *Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Gavilan Joint Community College District. There are two entities which qualify under the definition of component units, the Gavilan Education Foundation and the Gavilan College Financing Corporation. The Gavilan Education Foundation is operated under a memorandum of understanding with the District which allows the District to exercise significant input into the operations of the Foundation. The Foundation maintains separate books and records and has not been consolidated in these financial statements since the information was not available at the time this report was prepared. The Financing Corporation is in existence but is currently inactive and therefore has no activity or effect on these financial statements.



GAVALIN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Revenues Expenses and Changes in Net Assets

The *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Net Assets* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our College will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes Net Assets*, we include the District activities as follows:

Business-type activities - Most of the District's services are reported in this category. This includes the education of students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. The District charges tuition and fees to help it cover the costs of certain services it provides. In addition, property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, assist in financing these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

GAVALIN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and the student center fund. The District's fiduciary activities are reported in separate *Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance*. We exclude the associated student body and student center fund activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$19.0 and \$16.8 million for the fiscal year ended June 30, 2005 and June 30, 2004, respectively. Of this amount, \$1.9 million and \$1.3 million were unrestricted as of June 30, 2005 and 2004, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the College Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

GAVALIN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Table 1

(Amounts in thousands)	Governmental Activities for the Fiscal Year		
	2005	2004	Change
Current and other assets	\$ 38,370	\$ 37,796	\$ 574
Capital assets	15,807	15,087	720
Total Assets	54,177	52,883	1,294
Current liabilities	5,882	5,639	243
Long-term debt	29,291	30,412	(1,121)
Total Liabilities	35,173	36,051	(878)
Net assets			
Invested in capital assets, net of related debt	(14,556)	(15,336)	780
Restricted	31,706	30,850	856
Unrestricted	1,853	1,319	534
Total Net Assets	\$ 19,003	\$ 16,833	\$ 2,170

The \$1.9 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years’ operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$1.9 million left.

Changes in Net Assets

The results of this year’s operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 13. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

GAVALIN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Table 2

(Amounts in thousands)

	Governmental Activities for the Fiscal Year		
	2005	2004	Change
Revenues			
Program revenues:			
Tuition and fees	\$ 1,341	\$ 1,138	\$ 203
Grants and contracts - Federal	3,294	3,390	(96)
Grants and contracts - State	3,985	5,233	(1,248)
Non-operating revenues:			
State apportionment	6,084	3,007	3,077
Property taxes	12,475	9,679	2,796
State taxes and other revenue	6,361	8,605	(2,244)
Other revenues	1,151	466	685
Total Revenues	34,691	31,518	3,173
Expenses			
Salaries	15,698	15,392	306
Employee benefits	4,969	4,366	603
Supplies, materials and other operating expenses and services	9,119	7,966	1,153
Equipment, maintenance, and repairs	812	597	215
Depreciation	664	657	7
Other non-operating expenses	1,269	239	1,030
Total Expenses	32,531	29,217	2,284
Change in Net Assets	\$ 2,160	\$ 2,301	\$ 889

Governmental Activities

As reported in the Statement of Revenues, Expenses and Changes in Net Assets on page 13, the cost of all of our governmental activities this year was \$32.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$12.5 million because the cost was paid by those who benefited from the programs (\$1.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$8.1 million). We paid for the remaining "public benefit" portion of our governmental activities with other revenues, like interest and general entitlements.

GAVALIN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

In Table 3, we have presented the cost of each of the District's five largest expense categories – salaries; employee benefits; supplies, materials and other expenses and services; equipment, maintenance and repair; and other.

Table 3

(Amounts in thousands)

	Cost of Services for the Fiscal Year		
	2005	2004	Change
Salaries	\$ 15,698	\$ 15,392	\$ 306
Employee benefits	4,969	4,366	603
Supplies, materials and other operating expenses and services	9,119	7,965	1,154
Equipment, maintenance, and repairs	812	597	215
Depreciation	665	656	9
Totals	\$ 31,263	\$ 28,976	\$ 2,287

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$33.7 million, which is an increase of \$1.4 million from last year.

The primary reasons for these changes are:

1. Our general fund remained fairly stable this year.
2. Our special revenues funds remained stable this year.
3. Our debt service funds increased in value primarily due to tax collections for the August 1, 2005, bond payment.

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 budget was adopted in October 2005.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had \$15.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$0.7 million, or 5 percent, from last year.

GAVALIN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Table 4

(Amounts in thousands)

	Fixed Assets for the Fiscal Year		
	2005	2004	Change
Land	\$ 351	\$ 351	\$ -
Work in Progress	-	328	(328)
Land Improvements	806	618	188
Building and Improvements	22,270	20,924	1,346
Equipment and vehicles	2,541	2,363	178
Totals	25,968	24,584	1,384
Less Accumulated Depreciation	(10,161)	(9,497)	(664)
Net Totals	\$ 15,807	\$ 15,087	\$ 720

The District is in the planning stage for bond renovation projects, certain capital projects are planned to begin during the 2005-2006 year.

Long-Term Debt

At the end of this year, the District had \$30.0 million in bonds outstanding. In June 2004 the District issued 30.0 million of debt and paid off the remaining balance on the prior bonds. The proceeds from the new bonds will be used to fund various capital projects discussed in the prior paragraph. The long term debt consisted of:

Table 5

(Amounts in thousands)

	Debt for the Fiscal Year		
	2005	2004	Changes
Revenue bonds	\$ 12	\$ 24	\$ (12)
General obligation bonds	30,000	30,000	-
Compensated absences	356	400	(44)
Totals	\$ 30,368	\$ 30,424	\$ (56)

Other obligations include compensated absences payable. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

GAVALIN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2004-05 ARE NOTED BELOW:

The most significant accomplishment of fiscal year 2004-2005 was the continued collaborative process used in the following projects: campus renovation, an Enterprise Resource Planning (ERP) system, and the purchase of rights to real property in Coyote Valley and San Benito County. On March 2, 2004, the electorate within the District's geographic boundaries approved a general obligation bond known as Measure E. The value of the Bond is for 108 million dollars. The bond proceeds will be utilized by the District to plan, design and construct a number of projects, primarily in the areas of infrastructure development and upgrades along with modernization of existing District facilities including technology upgrades. The bond proceeds will also be used to purchase property in both the Greater Morgan Hill Area and the San Benito County area.

To this end, the District sent out Requests for Proposals and entered into contracts for construction management services, architectural services, and real property acquisition/development services among other types of services. In addition, as required by law, a Bond Citizen's Oversight Committee has been established.

Other accomplishments included finalizing a multi year agreement with the Gavilan College Faculty Association (GCFA) and with the California School Employee Association (CSEA). In spite of a tight budget year, the District was able to continue to fund COLA increases and employee health benefit packages.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2005-2006 year, the District Board and management used the following criteria for estimating unrestricted general fund revenues:

In fiscal year 2005-2006 it is expected that Gavilan College's base revenue of \$18.4 million will increase from that of fiscal year 2004-2005 by a net of approximately \$1.1 million. The 2005-2006 adopted budget is based on growth revenue of \$250,000, COLA of \$776,000, and equalization funding of \$65,000.

In addition to the base revenue, Gavilan College expects to receive Partnership for Excellence funding of \$911,000. This is an increase of \$20,000 from fiscal year 2004-2005.

The District budget for expenditures was based on a negotiated multiple year agreement with the Gavilan College Faculty Association (GCFA) and the California School Employees Association (CSEA).

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 Director of Business Services, at Gavilan Joint Community College District, 5055 Santa Teresa Blvd, Gilroy, California, 95020, or e-mail at rpfenning@gavilan.edu.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 54,290	\$ 161,414
Investments	35,761,185	34,779,576
Accounts receivable, net	2,039,294	2,337,437
Student loans receivable, net	31,162	31,162
Prepaid expenses	484,172	517,717
Total Current Assets	38,370,103	37,796,144
Noncurrent Assets:		
Nondepreciable capital assets	350,809	678,913
Depreciable capital assets, net of depreciation	15,455,914	14,408,387
Total Noncurrent Assets	15,806,723	15,087,300
TOTAL ASSETS	54,176,826	52,883,444
LIABILITIES		
Current Liabilities:		
Accounts payable	3,870,657	4,220,795
Deferred revenue	549,792	1,073,191
Amounts held in trust on behalf of others	384,865	332,932
Other long-term liabilities - current portion	1,077,000	12,000
Total Current Liabilities	5,882,314	5,638,918
Noncurrent Liabilities:		
Other long-term liabilities - noncurrent portion	29,291,027	30,411,732
TOTAL LIABILITIES	35,173,341	36,050,650
NET ASSETS		
Invested in capital assets, net of related debt	(14,556,086)	(15,336,433)
Restricted for:		
Debt service	4,902,873	3,204,552
Capital projects	26,265,550	27,121,303
Educational programs	538,225	523,915
Unrestricted	1,852,923	1,319,457
Total Net Assets	\$ 19,003,485	\$ 16,832,794

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
OPERATING REVENUES		
Tuition and Fees	\$ 2,533,540	\$ 1,734,998
Less: Scholarship discount and allowance	(1,192,730)	(597,018)
Net tuition and fees	<u>1,340,810</u>	<u>1,137,980</u>
Grants and Contracts, noncapital:		
Federal	3,294,392	3,390,362
State	3,284,343	2,638,351
Local	176,075	179,799
TOTAL OPERATING REVENUES	<u>8,095,620</u>	<u>7,346,492</u>
OPERATING EXPENSES		
Salaries	15,698,149	15,391,891
Employee benefits	4,969,009	4,365,810
Supplies, materials, and other operating expenses and services	9,119,937	7,965,533
Equipment, maintenance, and repairs	811,927	596,697
Depreciation	664,499	656,269
TOTAL OPERATING EXPENSES	<u>31,263,521</u>	<u>28,976,200</u>
OPERATING LOSS	<u>(23,167,901)</u>	<u>(21,629,708)</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	6,083,589	3,006,705
Local property taxes	12,475,226	9,678,961
State taxes and other revenues	6,361,833	8,604,626
Investment income, net	706,179	120,203
Interest expense on capital related debt	(823,404)	(47,841)
Transfer from agency fund	-	(41,133)
Other non-operating expenses	(445,583)	(150,999)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>24,357,840</u>	<u>21,170,522</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	1,189,939	(459,186)
OTHER REVENUES AND EXPENSES		
State revenues, capital	700,568	2,595,455
Local revenues, capital	269,508	164,456
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>970,076</u>	<u>2,759,911</u>
NET INCREASE IN NET ASSETS	2,160,015	2,300,725
NET ASSETS, BEGINNING OF YEAR	16,832,794	14,532,069
NET ASSETS, END OF YEAR	<u>\$ 18,992,809</u>	<u>\$ 16,832,794</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,340,810	\$ 1,137,980
Federal grants and contracts	3,294,392	3,208,762
State grants and contracts	3,284,343	2,918,321
Local grants and contracts	176,075	75,942
Payments to suppliers	(10,420,780)	(8,756,523)
Payments to/(on behalf of) employees	(20,667,158)	(19,398,193)
Auxiliary enterprise sales and charges	-	26,983
Net Cash Used by Operating Activities	<u>(22,992,318)</u>	<u>(20,786,728)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	6,083,589	2,928,142
Property taxes	12,475,226	9,678,961
State taxes and other apportionments	5,861,735	8,411,176
Net Cash Provided by Noncapital Financing Activities	<u>24,420,550</u>	<u>21,018,279</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(1,383,922)	(2,349,477)
State revenue, capital projects	700,568	2,595,455
Local revenue, capital projects	269,508	164,456
Proceeds from issuance of revenue bonds	-	30,000,000
Principal paid on capital debt	(12,000)	(3,972,000)
Interest paid on capital debt	(823,404)	(47,841)
Net Cash Provided by Capital Financing Activities	<u>(1,249,250)</u>	<u>26,390,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	695,503	102,166
NET INCREASE IN CASH AND CASH EQUIVALENTS	874,485	26,724,310
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>34,940,990</u>	<u>8,216,680</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 35,815,475</u>	<u>\$ 34,940,990</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS, Continued FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

RECONCILIATION OF NET OPERATING REVENUES TO NET CASH USED BY OPERATING ACTUALS

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating loss	\$ (23,167,901)	\$ (21,629,708)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	664,499	656,269
Miscellaneous nonoperating income		
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivables	298,143	(898,100)
(Increase)/decrease in prepaids	33,545	(465,687)
Increase/(decrease) in accounts payable and accrued liabilities	(350,138)	1,189,127
Increase/(decrease) in deferred revenue	(523,399)	334,388
Increase in funds held for others	51,933	26,983
Total Adjustments	<u>174,583</u>	<u>842,980</u>
Net Cash Flows From Operating Activities	<u><u>\$ (22,993,318)</u></u>	<u><u>\$ (20,786,728)</u></u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The 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 Santa Clara and San Benito Counties. The District consists of one community college located in Gilroy, California and two offsite campuses located in the cities of Hollister and Morgan Hill. 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) Statement No. 14. The District operates under a locally elected eight-member Board of Trustees form of government.

Financial Reporting Entity

During the year ended June 30, 2004, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

As defined by generally accepted accounting principals established by the GASB, the financial reporting entity consist of the primary government (the District), as well as the Gavilan Joint Community College Education Foundation, which is the District's legally separated component unit. The financial data of the component unit has not been included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

The accounting policies of the District conform to accounting principles generally accepted in the United State of America as applicable to colleges and universities, as well as those prescribed by the California Community College's Chancellor's Office. The District reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

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

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 1. Statement of Net Assets
 2. Statement of Revenues, Expenses and Changes in Net Assets
 3. Statement of Cash Flows
- Notes to the Financial Statements

The following is a summary of the more significant policies:

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and /or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, building, and equipment. The District maintains a capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as Work in Process as the projects are constructed.

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

Accrued Liabilities and Long-Term Obligations

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 reports equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

- **Invested in Capital Assets, Net of Related Debt:** Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted – expendable:** Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.
- **Unrestricted:** Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designed for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for educational and general operations of the District.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

Operating Revenues and Expenses

Classification of Revenues – The District has classified its revenues as either operating or non-operating according to the following criteria:

Operating revenues – Operating revenues 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, net of scholarship discounts and allowances, (3) most Federal, State and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

Non-operation revenues – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

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

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses and student financial aid.

Non-operating expenses - Non-operating expenses include interest expense and other expenses not directly related to the services of the District.

Estimates

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The Counties of Santa Clara and San Benito bill and collect the taxes on behalf of the District. Local property tax revenues are recorded when received.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*.

Component Unit

The Gavilan Joint Community College Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and the changes in net assets are classified as follows:

- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.
- **Unrestricted Net Assets** - Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Newly Issued Accounting Pronouncements

- **GASB Statement No. 40:** In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and addresses additional risks to which governments are exposed. Under Statement No. 40, State and local governments are required to disclose information covering four principal areas:
 - Investment credit risk disclosures, including credit quality information issued by rating agencies;
 - Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of securities;
 - Interest rate sensitivity for investments that are highly sensitive to changes in interest rates (ex: inverse floaters, enhanced variable-rate investments, and certain asset-backed securities; and
 - Foreign exchange exposures that would indicate the foreign investment's denomination.The GASB Statement No. 40 provisions are effective for financial statements for periods beginning after June 30, 2004, and are included in *NOTE 2 - DEPOSITS AND INVESTMENTS*.
- **GASB Statement No 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and will be implemented by the District in fiscal year 2005-2006.
- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The Gavilan Joint Community College District is not a plan sponsor of an OPEB Plan.
- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The Gavilan Joint Community College District will be implementing the requirements of this standard in the 2008-2009 fiscal year.
- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. This statement is not effective until June 30, 2006. The District has not determined its effect on the financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. This statement is not effective until June 30, 2006. The District has not determined its effect on the financial statements.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005 and 2004, are classified in the accompanying financial statements as follows:

	2005	2004
Governmental activities	\$ 35,373,093	\$ 34,580,578
Fiduciary funds	442,382	360,412
Total Deposits and Investments	\$ 35,815,475	\$ 34,940,990

Deposits and investments as of June 30, 2005 and 2004, consist of the following:

Cash on hand and in banks	\$ 43,090	\$ 150,214
Cash in revolving	11,200	11,200
Investments	35,761,185	34,779,576
Total Deposits and Investments	\$ 35,815,475	\$ 34,940,990

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

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. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedules that show the distribution of the District's investments by maturity as of June 30, 2005 and 2004:

June 30, 2005

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Certificate of Deposit	\$ 26,540	\$ 26,540	\$ -	\$ -	\$ -
County Pool	35,734,645	35,734,645	-	-	-
Total	<u>\$ 35,761,185</u>	<u>\$ 35,761,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2004

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Certificate of Deposit	\$ 26,540	\$ 26,540	\$ -	\$ -	\$ -
County Pool	34,753,036	34,753,036	-	-	-
Total	<u>\$ 34,779,576</u>	<u>\$ 34,779,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

June 30, 2005

Investment Type	Fair Value	Minimum Legal Rating	Not Required to be Rated	Rating as of Year End		
				AAA	Aa	Unrated
Certificate of Deposit	\$ 26,540	N/A	\$ -	\$ -	\$ -	\$ 26,540
County Pool	35,734,645	N/A	-	-	-	35,734,645
Total	<u>\$ 35,761,185</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,761,185</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

June 30, 2004

Investment Type	Fair Value	Minimum Legal Rating	Not Required to be Rated	Rating as of Year End		
				AAA	Aa	Unrated
Certificate of Deposit	\$ 26,540	N/A	\$ -	\$ -	\$ -	\$ 26,540
County Pool	34,753,036	N/A	-	-	-	34,753,036
Total	<u>\$ 34,779,576</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,779,576</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the stipulated by the California Government code. There were no investments in any one issuer that represent five percent or more of the total investments.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2005, the District's bank balance of \$54,290 was not exposed to custodial credit risk because it was fully covered by FDIC insurance.

NOTE 3 - ACCOUNTS RECEIVABLES

Receivables at June 30, 2005 and 2004, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	June 30, 2005	June 30, 2004
Federal Government		
Categorical aid	\$ 368,810	\$ 382,930
State Government		
Apportionment	530,443	-
Categorical aid	78,303	88,461
Lottery	300,000	300,826
Other state sources	34,968	1,072,213
Local Government		
Interest	271,209	57,392
Student receivables	31,162	31,162
Other local sources	455,561	435,615
Total	<u>\$ 2,070,456</u>	<u>\$ 2,368,599</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 350,809	\$ -	\$ -	\$ 350,809
Construction in progress	328,104	-	328,104	-
Total Capital Assets Not Being Depreciated	<u>678,913</u>	<u>-</u>	<u>328,104</u>	<u>350,809</u>
Capital Assets Being Depreciated				
Land improvements	617,549	188,357	-	805,906
Buildings and improvements	20,924,345	1,345,536	-	22,269,881
Furniture and equipment	2,179,381	171,133	-	2,350,514
Vehicles	183,938	7,000	-	190,938
Total Capital Assets Being Depreciated	<u>23,905,213</u>	<u>1,712,026</u>	<u>-</u>	<u>25,617,239</u>
Total Capital Assets	<u>24,584,126</u>	<u>1,712,026</u>	<u>328,104</u>	<u>25,968,048</u>
Less Accumulated Depreciation				
Land improvements	546,623	3,546	-	550,169
Buildings and improvements	7,431,511	445,938	-	7,877,449
Furniture and equipment	1,372,058	204,765	-	1,576,823
Vehicles	146,634	10,250	-	156,884
Total Accumulated Depreciation	<u>9,496,826</u>	<u>664,499</u>	<u>-</u>	<u>10,161,325</u>
Net Capital Assests	<u>\$15,087,300</u>	<u>\$1,047,527</u>	<u>\$ 328,104</u>	<u>\$ 15,806,723</u>

Depreciation expense for the year was \$664,499.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 350,809	\$ -	\$ -	\$ 350,809
Construction in progress	589,802	273,465	535,163	328,104
Total Capital Assets Not Being Depreciated	<u>940,611</u>	<u>273,465</u>	<u>535,163</u>	<u>678,913</u>
Capital Assets Being Depreciated				
Land improvements	546,623	70,926	-	617,549
Buildings and improvements	17,908,321	3,016,024	-	20,924,345
Furniture and equipment	1,939,879	239,502	-	2,179,381
Vehicles	183,938	-	-	183,938
Total Capital Assets Being Depreciated	<u>20,578,761</u>	<u>3,326,452</u>	<u>-</u>	<u>23,905,213</u>
Total Capital Assets	<u>21,519,372</u>	<u>3,599,917</u>	<u>535,163</u>	<u>24,584,126</u>
Less Accumulated Depreciation				
Land improvements	546,623	-	-	546,623
Buildings and improvements	6,956,055	475,456	-	7,431,511
Furniture and equipment	1,205,159	166,899	-	1,372,058
Vehicles	132,720	13,914	-	146,634
Total Accumulated Depreciation	<u>8,840,557</u>	<u>656,269</u>	<u>-</u>	<u>9,496,826</u>
Net Capital Assets	<u>\$12,678,815</u>	<u>\$2,943,648</u>	<u>\$ 535,163</u>	<u>\$ 15,087,300</u>

Depreciation expense for the year was \$656,269.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimburseable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The General Fund transferred \$195,854 to the Child Development Fund for cost over runs. Other transfers made were intrafund transfers within the General Fund subfunds. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2005 and 2004, consisted of the following:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Prepaid debt issuance costs - unamortized	\$ 481,940	\$ 517,717
Other	2,232	
Total	<u>\$ 484,172</u>	<u>\$ 517,717</u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2005 and 2004, consisted of the following:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Salaries and benefits	\$ 562,854	\$ 981,301
Apportionment	-	851,268
Accrued interest	584,059	876,448
Vendor	2,723,744	1,511,778
Total	<u>\$ 3,870,657</u>	<u>\$ 4,220,795</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2005 and 2004, consisted of the following:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State categorical aid	\$ 126,420	\$ 485,564
Other state	-	113,012
Other local	423,372	474,615
Total	<u>\$ 549,792</u>	<u>\$ 1,073,191</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 9 - LONG-TERM DEBT

Long-Term Debt Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
Student center revenue bond	\$ 24,000	\$ -	\$ 12,000	\$ 12,000	\$ 12,000
General obligation bond -2004A	29,170,000	-	-	29,170,000	660,000
General obligation bond -2004B	830,000	-	-	830,000	405,000
Total Bonds Payable	<u>30,024,000</u>	<u>-</u>	<u>12,000</u>	<u>30,012,000</u>	<u>1,077,000</u>
Other Liabilities					
Compensated absences	399,732	-	43,705	356,027	-
Total Other Liabilities	<u>399,732</u>	<u>-</u>	<u>43,705</u>	<u>356,027</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 30,423,732</u>	<u>\$ -</u>	<u>\$ 55,705</u>	<u>\$ 30,368,027</u>	<u>\$ 1,077,000</u>

Description of Debt

General obligation bonds were approved by a local election in 2004. The total amount approved by the voters was \$108,000,000. At June 30, 2005, \$30,000,000 had been issued and \$30,000,000 was outstanding. Interest rates on the bonds are from 2.00 – 5.00 percent.

Student center revenue bonds were approved by a local election in 1967. The total amount approved by the voters was \$267,000. At June 30, 2005, \$12,000 was outstanding. The bonds are to be repaid out of net revenues arising from the operations of the student center. The bonds mature through 2006.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Debt Maturity

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2006	\$ 1,065,000	\$ 1,597,649	\$ 2,662,649
2007	1,465,000	1,416,138	2,881,138
2008	1,625,000	1,370,063	2,995,063
2009	135,000	1,321,313	1,456,313
2010	195,000	1,317,263	1,512,263
2011-2015	2,105,000	6,426,744	8,531,744
2016-2020	4,565,000	5,788,832	10,353,832
2021-2025	8,315,000	4,262,363	12,577,363
2026-2029	10,530,000	1,518,000	12,048,000
Total	<u>\$ 30,000,000</u>	<u>\$ 25,018,365</u>	<u>\$ 55,018,365</u>

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in PERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the 2004-2005 fiscal year, the District provided insurance premium benefits to 60 retired employees with total expenditures of \$431,457.

The exact amount of the commitment for future retiree is not readily available and varies depending on the assumptions used in estimating, and is not reflected in these financial statements. The District has not received an actuarial study.

NOTE 11 - RISK MANAGEMENT

Property and Liability

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 natural disasters. During fiscal year ending June 30, 2005, the District contracted with the Bay Area Community College District (BACCD) public risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Workers' Compensation

For fiscal year 2005, the District participated in the Northern California Community College Pool (NCCC) public risk pool. The intent of the public risk pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the pool. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code, Section 22000 et seq.*) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRP, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (services) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, services of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active plan members of the DB Plan are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to STRPS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$656,860, \$651,695, and \$659,603, respectively and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges on the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Gavilan Joint Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ended June 30, 2005, 2004, and 2003, were \$607,851, \$576,969 and \$133,478, respectively, and equal 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$466,596 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2005. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

Tax Deferred Annuity/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use a Tax Deferred Annuity (TDA) as its alternative plan. An employee is required to contribute 7.5 percent of his or her gross earnings to the pension plan.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2005.

Early Retirement

The District has adopted an early retirement incentive program available for GCFA members retiring during Spring 2003 through Fall 2003. To be eligible a member must have served the District full-time for ten or more consecutive years immediately prior to his/her retirement. Additional requirements are; potential retirees must notify the District by October 24, 2003, faculty who for retirement eligibility issues, e.g. 55-age limit, 25 years of service, etc., select a retirement date after June 30, 2003 but before December 31, 2003, will receive the current year benefit package in effect 2002-03, and this incentive is available if at least seven full-time GCFA members retire no later than December 31, 2003. The incentive was payment of \$1,000 per year of District service. The outstanding contract amount for this purpose is \$80,000.

Operating Leases

The District has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation with written notice to lessors. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the year ended June 30, 2005, amounted to approximately \$330,000.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Bay Area Community College District (BACCD) public entity pool and the Northern California Community College Pool (NCCC) public entity risk pool. The District pays annual premiums for its property liability, health, and worker's compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2005, the District made payments of \$132,313 and \$456,750 to BACCD and NCCC, respectively.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 15 - FUNCTIONAL EXPENSES

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

	Salaries	Employee Benefits ¹	Materials, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 7,599,006	\$ 1,777,756	\$ 1,028,526	\$ 90,366	\$ -	\$ 10,495,654
Academic support	1,165,034	388,345	935,329	33,940	-	2,522,647
Student services	3,585,395	1,218,841	985,570	10,337	-	5,800,143
Plant operations and maintenance	510,875	170,292	1,386,557	548,517	-	2,616,241
Institutional support services	2,083,451	694,484	2,276,675	72,137	-	5,126,747
Community services and economic development	462,480	154,160	825,751	10,753	-	1,453,144
Ancillary services and auxiliary operations	276,797	92,266	341,661	14,618	-	725,341
Student aid	-	-	-	-	-	-
Interest expense on debt	-	-	823,404	-	-	823,404
Physical property and related acquisitions	15,111	6,271	1,784,451	31,259	-	1,837,092
Unallocated depreciation	-	-	-	-	664,499	664,499
Total	<u>\$ 15,698,149</u>	<u>\$ 4,502,414</u>	<u>\$ 10,387,924</u>	<u>\$ 811,927</u>	<u>\$ 664,499</u>	<u>\$ 32,064,912</u>

¹ Excludes on behalf payments made to STRS by the State of California.

SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2005

The Gavilan Joint Community College District was established on July 1, 1963. The District 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.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Tom Breen	President	2008
Debra Smith	Vice President	2006
Mark Dover	Clerk	2008
Kent Child	Trustee	2006
Laura Perry, Esq.	Trustee	2006
Elvira Robinson, Esq.	Trustee	2006
Leonard Washington	Trustee	2008
Jesse Sandow	Student Trustee	2005

ADMINISTRATION

Dr. Steven Kinsella	Superintendent/President
Sherrean Carr	Interim Vice President of Instruction and Student Services
Joseph Keeler	Vice President of Administrative Services
Fran Lopez	Interim Dean of Technical and Public Services
Fran Lozano	Dean of Liberal Arts and Sciences
Dr. Rosa Sharboneau	Interim Dean of Student Services
Ron Hannon	Athletic Director
Rich Gillis	Associate Dean, Business Development
Susan Sweeney	Interim Associate Dean, Disabled Student Programs and Services
Rachel Perez	Associate Dean, Community Outreach and Grants Management
Anne Ratto	Associate Dean, Extended Opportunity Programs and Services/CalWORKS
Rhonda Pfenning	Director, Business Services
Shairon Williams	Director, Human Resources

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Federal Work Study Program	84.033	\$ 59,737
High Education - TRIO Staff Training Program	84.042A	247,233
Title V	84.048	270,205
Title V - Strengthening Insititutions - Hispanic	84.031C	164,328
Student Financial Aid		
Pell Grant [1]	84.063	1,935,570
SEOG	84.007	56,300
Teacher Recruitment Grant	84.336C	14,968
Passed through California Department of Education (CDE):		
VTEA		
Tech Preparation	84.048	68,553
Title I C	84.048	120,415
Subtotal		<u>2,937,309</u>
U.S. DEPARTMENT AGRICULTURE		
Passed through California Department of Education (CDE):		
Child and Adult Care Food Program	10.558	38,390
U.S. DEPARTMENT HOUSING AND URBAN DEVELOPMENT		
Hispanic Serving Institutions Assisting Communities [1]	14.514	318,693
Total Expenditures of Federal Awards		<u><u>\$ 3,294,392</u></u>

[1] Tested as a major program.

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Program	Total Program Expenditures
GENERAL FUND	
TANF	\$ 19,045
Financial Aid - BFAP	280,645
EOPS	447,027
CARE	114,505
DSPS	1,700,157
Cal Works	85,973
Matriculation - Credit and Noncredit	289,596
Nurse Workforce Initiative	98,393
Staff Diversity	10,802
EdFund-EdShare	60,112
SBDC	331,736
HRDAC	2,203
Telecommunications	112,325
International Trade	48,025
Instructional Equipmnet On Going	171,844
TRDP Teaching Grant	111,744
Cal Grant B & C	216,178
California Articulation Number System	5,000
MESA	185,599
Child and Adult Care Food Program	533,523
Workability Grant	174,738
Total State Programs	<u>\$ 4,999,170</u>

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE APPORTIONMENT
ANNUALIZED ATTENDANCE AND ANNUAL APPRENTICESHIP HOURS
OF INSTRUCTION
FOR THE YEAR ENDED JUNE 30, 2005**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	306	-	306
2. Weekly census	2,949	-	2,949
3. Daily census	114	-	114
4. Actual hours of attendance	562	-	562
5. Independent study/work experience	76	-	76
Subtotal	<u>4,006</u>	<u>-</u>	<u>4,006</u>
B. <u>Noncredit FTES</u>			
1. Summer	87	-	87
2. Actual hours of attendance	531	-	531
Subtotal	<u>618</u>	<u>-</u>	<u>618</u>
Total FTES	<u>4,624</u>	<u>-</u>	<u>4,624</u>
C. <u>Basic Skills Courses</u>			
1. Credit	463	-	463
2. Non credit	-	-	-
Total Basic Skills FTES	<u>463</u>	<u>-</u>	<u>463</u>
D. <u>FTES Generated in Leased Space</u>			
	<u>628</u>	<u>-</u>	<u>-</u>
E. <u>Gross Square Footage</u>			
1. Existing facilities	-	-	-
2. New facilities	-	-	-
Total Gross Square Footage	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2004.

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State Apportionment Annualized Attendance and Annual Apprenticeship Hours of Instruction

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils 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 throughout the District.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited the financial statements of Gavilan Joint Community College District (the District) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 28, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gavilan Joint Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gavilan Joint Community College District's basic 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*.

This report is intended solely for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vaurmik, Trini, Day + Co., LLP

Fresno, California
October 28, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

Compliance

We have audited the compliance of Gavilan Joint Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Gavilan Joint Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Gavilan Joint Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Gavilan Joint Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vavnick, Tomic, Day & Co, LLP

Fresno, California
October 28, 2005



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited the financial statements of the Gavilan Joint Community College District (the District) for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 28, 2005.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directives

- MIS Implementation - Required Data Elements

Administrative

- Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)
- Fiscal Operation - Gann Limit Calculation
- Apportionments - Apportionment for Instructional Service Agreements/Contracts
- Apportionments - Residency Determination for Credit Courses
- Apportionment - Concurrent Enrolment of K-12 Students in Community College Credit Courses
- Apportionment - Enrollment Fee
- Open Enrollment
- Minimum Conditions - "Standard of Scholarship"
- Student Fees - Instructional Materials and Health Fees

Student Services

- Matriculation - Uses of Matriculation Funds

Special Programs

- Extended Opportunity Programs and Services (EOP&S) - Allocation of Costs
- Extended Opportunity Programs and Services (EOP&S) - Administrator/Director Requirements

Facilities Program

- Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Gavilan Joint Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2005.

This report is intended solely for the information of the Board of Trustees, District Management, and the California State Chancellor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Varrink, Temo, Day & Co., LLP

Fresno, California
October 28, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.063</u>	<u>PELL Grant</u>
<u>14.514</u>	<u>Hispanic Serving Institutions Assisting Communities</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

FINANCIAL STATEMENT FINDINGS

There were no findings representing reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings representing reportable conditions, material weaknesses, and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no findings representing instances of noncompliance and questioned costs relating to State program laws and regulations.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings representing reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* reported in the prior year's schedule of audit findings and questioned costs.

ADDITIONAL SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2005**

	General Unrestricted Fund 10	General Restricted Funds 24, 26, 27	Child Development Fund 72
ASSETS			
Cash and cash equivalents	\$ 20,000	\$ -	\$ -
Investments	3,429,934	414,325	2,921
Accounts receivable, net	1,199,648	440,707	54,868
Due from other funds	102,141	-	27,792
Prepaid expenses	343	1,889	-
Total Assets	\$ 4,752,066	\$ 856,921	\$ 85,581
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	2,363,362	184,067	16,607
Due to other funds	27,792	-	68,974
Deferred revenue	400,648	134,629	-
Total Liabilities	2,791,802	318,696	85,581
FUND EQUITY			
Fund Balances			
Reserved	-	-	-
Unreserved			
Designated	20,000	-	-
Undesignated	1,940,264	538,225	-
Total Fund Equity	1,960,264	538,225	-
Total Liabilities and Fund Equity	\$ 4,752,066	\$ 856,921	\$ 85,581

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

Bond Interest and Redemption Fund 21	Debt Service Fund 92	Capital Projects Fund 34	Revenue Bond Construction Fund 60	Total Governmental Funds (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ 20,000
1,858,424	3,002,068	287,519	26,357,902	35,353,093
42,381	-	11,718	176,544	1,925,866
-	-	-	-	129,933
-	-	-	-	2,232
<u>\$ 1,900,805</u>	<u>\$ 3,002,068</u>	<u>\$ 299,237</u>	<u>\$ 26,534,446</u>	<u>\$ 37,431,124</u>
-	-	25,063	537,318	3,126,417
-	-	-	5,752	102,518
-	-	-	-	535,277
<u>-</u>	<u>-</u>	<u>25,063</u>	<u>543,070</u>	<u>3,764,212</u>
-	-	-	-	-
-	-	-	-	20,000
<u>1,900,805</u>	<u>3,002,068</u>	<u>274,174</u>	<u>25,991,376</u>	<u>33,646,912</u>
<u>1,900,805</u>	<u>3,002,068</u>	<u>274,174</u>	<u>25,991,376</u>	<u>33,666,912</u>
<u>\$ 1,900,805</u>	<u>\$ 3,002,068</u>	<u>\$ 299,237</u>	<u>\$ 26,534,446</u>	<u>\$ 37,431,124</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance - All District Funds	\$ 33,666,912
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 25,968,048
Accumulated depreciation is	<u>(10,161,325)</u> 15,806,723
The associate student fund and the student center fund fiduciary funds are used by the District's management to account for the student activities. The revenues and expenses of these funds are included with district wide statement of revenues, expenses, and net assets.	
Expenditures relating to issuance of debt are not recognized in modified accrual basis, but should be recognized in the accrual basis as prepaid expenditures.	481,940
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	(584,063)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	30,012,000
Compensated absences (vacations)	<u>356,027</u> <u>(30,368,027)</u>
Total Net Assets	<u>\$ 19,003,485</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

	General Fund Unrestricted Fund 10	General Fund Restricted Funds 24, 26, 27	Child Development Fund 72	Bond Interest and Redemption Fund 21
REVENUES				
Federal revenues	\$ -	\$ 1,264,132	\$ 38,390	\$ -
State revenues	8,399,075	3,554,106	266,522	16,998
Local revenues	13,236,599	1,248,234	286,858	2,558,228
Total Revenues	<u>21,635,674</u>	<u>6,066,472</u>	<u>591,770</u>	<u>2,575,226</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	7,653,333	1,729,540	-	-
Classified salaries	3,752,442	1,995,660	548,890	-
Employee benefits	3,814,906	923,522	206,673	-
Books and supplies	356,957	335,874	25,906	-
Services and operating expenditures	4,021,951	977,385	6,155	-
Capital outlay	192,209	754,428	-	-
Debt service - interest and other	-	-	-	876,905
Total Expenditures	<u>19,791,798</u>	<u>6,716,409</u>	<u>787,624</u>	<u>876,905</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>1,843,876</u>	<u>(649,937)</u>	<u>(195,854)</u>	<u>1,698,321</u>
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	1,429,831	195,854	-
Operating transfers out	(1,594,965)	(30,720)	-	-
Other uses	-	(464,405)	-	-
Total Other Financing Sources/(Uses)	<u>(1,594,965)</u>	<u>934,706</u>	<u>195,854</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	248,911	284,769	-	1,698,321
FUND BALANCE, BEGINNING OF YEAR	1,711,353	253,456	-	202,484
FUND BALANCE, END OF YEAR	<u>\$ 1,960,264</u>	<u>\$ 538,225</u>	<u>\$ -</u>	<u>\$ 1,900,805</u>

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

Debt Service Fund 92	Capital Projects Fund 34	Revenue Bond Construction Fund 60	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ 1,302,522
-	700,568	-	12,937,269
-	276,618	562,662	18,169,199
-	977,186	562,662	32,408,990
-	-	-	9,382,873
-	-	15,111	6,312,103
-	-	6,271	4,951,372
-	-	-	718,737
-	324,013	800,994	6,130,498
-	1,146,496	102,716	2,195,849
-	-	-	876,905
-	1,470,509	925,092	30,568,337
-	(493,323)	(362,430)	1,840,653
-	-	-	1,625,685
-	-	-	(1,625,685)
-	-	-	(464,405)
-	-	-	(464,405)
-	(493,323)	(362,430)	1,376,248
3,002,068	767,497	26,353,806	32,290,664
<u>\$ 3,002,068</u>	<u>\$ 274,174</u>	<u>\$ 25,991,376</u>	<u>\$ 33,666,912</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENTS
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Total Net Change in Fund Balances - Governmental Funds **\$ 1,376,248**
**Amounts Reported for Governmental Activities in the Statement of
 Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense	\$ (664,499)	
Capital outlays	<u>1,383,922</u>	719,423

Bond premiums and discounts are recognized in the governmental funds when debt is issued, however they are recorded as other liabilities and amortized over the term of the bond on the district-wide statement of net assets and statement of revenues, expenses and changes in net assets. (34,377)

In the Statement of Activities, compensated absences is measured by the amount incurred during the year in the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid).

This year vacation used was more than the amounts earned. 43,705

Unmatured interest on long-term debt is recognized in the period when it is due in governmental fund. On the governmental-wide statements, unmatrued interest on long-term debt is recognized in the period when it is incurred. 43,016

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 12,000

Change in Net Assets of Governmental Activities **\$ 2,160,015**

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2005**

	Associated Students Government Fund 47	Student Center Fund 66	Student Financial Aid Fund 48	Total
ASSETS				
Cash and cash equivalents	\$ 26,740	\$ -	\$ 7,550	\$ 34,290
Investments	145,213	239,149	23,730	408,092
Accounts receivable, net	8,544	9,930	94,954	113,428
Student loans receivable, net	-	-	31,162	31,162
Total Assets	<u>\$ 180,497</u>	<u>\$ 249,079</u>	<u>\$ 157,396</u>	<u>\$ 586,972</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	1,205	1,576	157,396	160,177
Due to other funds	-	27,415	-	27,415
Deferred revenue	6,759	7,756	-	14,515
Due to student groups	172,533	212,332	-	384,865
Total Liabilities	<u>\$ 180,497</u>	<u>\$ 249,079</u>	<u>\$ 157,396</u>	<u>\$ 586,972</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN DUE TO STUDENT GROUPS
FOR THE YEAR ENDED JUNE 30, 2005**

	Associated Students Trust	Student Center Fund	Student Financial Aid	Total
REVENUES				
Federal revenues	\$ -	\$ -	\$ 1,991,870	\$ 1,991,870
Local revenues	140,672	149,872	-	290,544
Total Revenues	<u>140,672</u>	<u>149,872</u>	<u>1,991,870</u>	<u>2,282,414</u>
EXPENDITURES				
Current Expenditures				
Classified salaries	-	46,878	-	46,878
Employee benefits	-	17,637	-	17,637
Books and supplies	-	-	-	-
Services and operating expenditures	112,122	49,253	4,264	165,639
Capital outlay	-	-	-	-
Debt service - principal	-	12,000	-	12,000
Debt service - interest and other	-	720	-	720
Total Expenditures	<u>112,122</u>	<u>126,488</u>	<u>4,264</u>	<u>242,874</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>28,550</u>	<u>23,384</u>	<u>1,987,606</u>	<u>2,039,540</u>
OTHER FINANCING SOURCES/(USES)				
Other uses	-	-	(1,987,606)	(1,987,606)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(1,987,606)</u>	<u>(1,987,606)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	28,550	23,384	-	51,934
DUE TO STUDENT GROUPS, BEGINNING	143,983	188,948	-	332,931
DUE TO STUDENT GROUPS, ENDING	<u>\$ 172,533</u>	<u>\$ 212,332</u>	<u>\$ -</u>	<u>\$ 384,865</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GENERAL FUND RESTRICTED
BALANCE SHEETS
JUNE 30, 2005**

	Instructional Equipment Fund 24	Parking Fund 26	Restricted Fund 27	General Restricted Funds 24, 26, 27
ASSETS				
Investments	\$ 919	\$ 289,741	\$ 123,665	\$ 414,325
Accounts receivable, net	-	4,357	436,350	440,707
Prepaid expenses	-	-	1,889	1,889
Total Assets	\$ 919	\$ 294,098	\$ 561,904	\$ 856,921
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	919	1,986	181,162	184,067
Deferred revenue	-	35,461	99,168	134,629
Total Liabilities	919	37,447	280,330	318,696
FUND EQUITY				
Fund Balances				
Unreserved				
Undesignated	-	256,651	281,574	538,225
Total Fund Equity	-	256,651	281,574	538,225
Total Liabilities and Fund Equity	\$ 919	\$ 294,098	\$ 561,904	\$ 856,921

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GENERAL FUND RESTRICTED
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

	Instructional Equipment Fund 24	Parking Fund 26	General Fund Restricted Fund 27	Total General Fund Restricted Funds 24, 26, 27
REVENUES				
Federal revenues	\$ -	\$ -	\$ 1,264,132	\$ 1,264,132
State revenues	270,193	-	3,283,913	3,554,106
Local revenues	-	162,370	1,085,864	1,248,234
Total Revenues	<u>270,193</u>	<u>162,370</u>	<u>5,633,909</u>	<u>6,066,472</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	-	-	1,729,540	1,729,540
Classified salaries	-	84,684	1,910,976	1,995,660
Employee benefits	-	30,525	892,997	923,522
Books and supplies	59,975	4,302	271,597	335,874
Services and operating expenditures	71,990	12,323	893,072	977,385
Capital outlay	152,204	13,365	588,859	754,428
Total Expenditures	<u>284,169</u>	<u>145,199</u>	<u>6,287,041</u>	<u>6,716,409</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(13,976)</u>	<u>17,171</u>	<u>(653,132)</u>	<u>(649,937)</u>
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	-	1,429,831	1,429,831
Operating transfers out	-	-	(30,720)	(30,720)
Other uses	-	-	(464,405)	(464,405)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>934,706</u>	<u>934,706</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(13,976)</u>	<u>17,171</u>	<u>281,574</u>	<u>284,769</u>
FUND BALANCE, BEGINNING OF YEAR	<u>13,976</u>	<u>239,480</u>	<u>-</u>	<u>253,456</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 256,651</u>	<u>\$ 281,574</u>	<u>\$ 538,225</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 – PURPOSE OF SCHEUDLES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Gavilan Joint Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The information is presented at the request of the District management.

Reconciliation of Governmental Fund Financial Statements and Entity-Wide Financial Statements

The reconciliation of the governmental fund balance sheet and the entity-wide statement of net assets are presented to provide a "walk-through" of the adjustments necessary to bring the modified accrual presentation to a full accrual presentation on page 12 of the report. The full accrual presentation requires the accrual of capital assets and long-term assets, as well as long term liabilities.

The reconciliation of the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities provides a description of the difference between the *net change in fund balance* and the *net change in net assets* presented on page 13 of the report.