

**GAVILAN JOINT COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2006

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2006

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussions and Analysis	4
Statements of Net Assets	12
Statements of Revenues, Expenses, and Changes in Net Assets	13
Statements of Cash Flows	14
Notes to Financial Statements	16

SUPPLEMENTARY INFORMATION

District Organization	39
Schedule of Expenditures of Federal Awards	40
Schedule of Expenditures of State Awards	41
Schedule of Workload Measures for State General Apportionment	42
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	43
Note to Supplementary Information	44

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	48
Report on State Compliance	50

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	53
Financial Statement Findings and Recommendations	54
Federal Awards Findings and Questioned Costs	54
State Awards Findings and Questioned Costs	54
Summary Schedule of Prior Audit Findings	54

ADDITIONAL SUPPLEMENTARY INFORMATION

Governmental Funds	
Balance Sheets	56
Statement of Revenues, Expenditures, and Changes in Fund Balance	58
Fiduciary Funds	
Balance Sheets	59
Statement of Changes in Due to Student Groups	60
General Fund Restricted	
Balance Sheets	61
Statement of Revenues, Expenditures, and Changes in Fund Balance	62
Note to Additional Supplementary Information	63

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited the accompanying basic financial statements of the Gavilan Joint Community College District (the District) as of and for the years ended June 30, 2006 and 2005, 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic 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, 2006 and 2005, 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, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by 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 November 17, 2006, 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*, 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. The Additional Supplementary Information on pages 56 through 63 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Vovrnick, Trine, Day & Co., LLP

Fresno, California
November 17, 2006

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

This section of Gavilan Joint Community College District's 2005-2006 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

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) using the integrated approach as prescribed by GASB Statement Numbers 35 and 34. The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business Type Activity (BTA).

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 obligations). 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.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

FY 05/06 provided Gavilan College with enough resources to stabilize the Budget and to make a few improvements in achieving the goals of the Strategic Plan and the Educational Master Plan. Through its Strategic Plan, Gavilan College has positioned itself to expand and take advantage of the additional growth opportunities. Revenue available for program enhancements was used to provide quality education to the communities served by the District. As a cautionary note, over the long term the District recognizes that Gavilan College will need to be diligent in its efforts to achieve the ever-increasing level of FTES required to generate additional revenues.



GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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.

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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*. 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 \$20.2 and \$19.0 million for the fiscal year ended June 30, 2006 and June 30, 2005, respectively. Of this amount, \$4.7 million and \$1.9 million were unrestricted as of June 30, 2006 and 2005, 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Table 1

(Amounts in thousands)	Governmental Activities for the Fiscal Year		
	2006	2005	Change
Current and other assets	\$ 35,857	\$ 38,370	\$ (2,513)
Capital assets	17,721	15,807	1,914
Total Assets	53,578	54,177	(599)
Current liabilities	5,573	5,882	(309)
Long-term obligations	27,840	29,291	(1,451)
Total Liabilities	33,413	35,173	(1,760)
Net assets			
Invested in capital assets, net of related debt	(14,136)	(14,556)	420
Restricted	29,638	31,706	(2,068)
Unrestricted	4,664	1,842	2,822
Total Net Assets	\$ 20,166	\$ 18,992	\$ 1,174

The \$4.7 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 \$4.7 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*. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Table 2

(Amounts in thousands)

	Governmental Activities for the Fiscal Year		
	2006	2005	Change
Revenues			
Program revenues:			
Tuition and fees	\$ 1,817	\$ 1,341	\$ 476
Grants and contracts - Federal	3,054	3,294	(240)
Grants and contracts - State and local	2,604	3,985	(1,381)
Non-operating revenues:			
State apportionment	6,735	6,084	651
Property taxes	14,431	12,475	1,956
State taxes and other revenue	4,902	6,361	(1,459)
Other revenues	1,144	1,151	(7)
Total Revenues	34,687	34,691	(4)
Expenses			
Salaries	16,312	15,698	614
Employee benefits	5,295	4,969	326
Supplies, materials and other operating expenses and services	9,793	9,932	(139)
Depreciation	679	664	15
Other non-operating expenses	1,435	1,268	167
Total Expenses	33,514	32,531	816
Change in Net Assets	\$ 1,173	\$ 2,160	\$ (820)

Governmental Activities

As reported in the *Statement of Revenues, Expenses and Changes in Net Assets*, the cost of all of our governmental activities this year was \$33.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$14.4 million because the cost was paid by those who benefited from the programs (\$1.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$5.7 million). We paid for the remaining "public benefit" portion of our governmental activities with other revenues, like interest and general entitlements.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Table 3

(Amounts in thousands)

	Operating Cost of Services for the Fiscal Year		
	2006	2005	Change
Salaries	\$ 16,312	\$ 15,698	\$ 614
Employee benefits	5,295	4,969	326
Supplies, materials and other operating expenses and services	9,793	9,932	(139)
Depreciation	679	665	14
Totals	\$ 32,079	\$ 31,264	\$ 815

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$31.9 million, which is a decrease of \$1.8 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 decreased in value primarily due to the bond payment.
4. The Measure E Construction Fund reduced due to ongoing construction costs.

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 on October 10, 2006.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had \$17.7 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 \$1.9 million, or 12 percent, from last year.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Table 4

(Amounts in thousands)

	Fixed Assets for the Fiscal Year		
	2006	2005	Change
Land	\$ 351	\$ 351	\$ -
Work in Progress	2,202	-	2,202
Land Improvements	830	806	24
Building and Improvements	22,270	22,270	-
Equipment and vehicles	2,897	2,541	356
Totals	28,550	25,968	2,582
Less Accumulated Depreciation	(10,829)	(10,161)	(668)
Net Totals	\$ 17,721	\$ 15,807	\$ 1,914

The District is in the construction phase for bond renovation projects. Many capital projects are planned to continue through the 2006-2007 year.

Long-Term Obligations

At the end of this year, the District had \$29.3 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 obligations consisted of:

Table 5

(Amounts in thousands)

	Debt for the Fiscal Year		
	2006	2005	Changes
Revenue bonds	\$ -	\$ 12	\$ (12)
General obligation bonds	28,935	30,000	(1,065)
Compensated absences	370	356	14
Totals	\$ 29,305	\$ 30,368	\$ (1,063)

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-06 ARE NOTED BELOW:

The most significant accomplishment of fiscal year 2005-2006 was the continued collaborative process used in a number of District projects including: 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 (RFP) and entered into contracts for construction management services, architectural services, and real property acquisition/development services among other types of services. An RFP was also sent out and a contract was entered into for a new Integrated ERP computer system. Planning also took place for campus infrastructure upgrades, interim housing/swing space, and for the renovation of the science building complex. The Board approved an American with Disabilities Acts (ADA) Transition Plan and established a Property Development Fund for the development of the current golf course property. 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 2006-07 year, the District Board and management used the following criteria for estimating unrestricted general fund revenues:

In fiscal year 2006-2007 it is expected that Gavilan College's base revenue of \$20.5 million will increase from that of fiscal year 2005-2006 by a net of approximately \$2.2 million. The 2006-2007 adopted budget is based on growth revenue of \$250,000, COLA of \$1,200,000, and equalization funding of \$800,000.

In addition to the base revenue, Gavilan College expects to receive "one-time" funding. There is approximately \$428,000 in one-time general purpose (unrestricted) funds and approximately \$682,000 in specified (restricted) funds.

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 scheu@gavilan.edu.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS JUNE 30, 2006 AND 2005

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 153,239	\$ 54,290
Investments	32,928,283	35,761,185
Accounts receivable, net	2,305,021	2,070,456
Prepaid expenses	470,914	484,172
Total Current Assets	<u>35,857,457</u>	<u>38,370,103</u>
Noncurrent Assets:		
Nondepreciable capital assets	2,552,506	350,809
Depreciable capital assets, net of depreciation	15,168,556	15,455,914
Total Noncurrent Assets	<u>17,721,062</u>	<u>15,806,723</u>
TOTAL ASSETS	<u>53,578,519</u>	<u>54,176,826</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,776,458	3,870,657
Deferred revenue	1,009,700	549,792
Amounts held in trust on behalf of others	321,437	384,865
Long-term liabilities - current portion	1,465,000	1,077,000
Total Current Liabilities	<u>5,572,595</u>	<u>5,882,314</u>
Noncurrent Liabilities:		
Long-term liabilities - noncurrent portion	27,840,016	29,291,027
Total Noncurrent Liabilities	<u>27,840,016</u>	<u>29,291,027</u>
TOTAL LIABILITIES	<u>33,412,611</u>	<u>35,173,341</u>
NET ASSETS		
Invested in capital assets, net of related debt	(14,136,460)	(14,556,086)
Restricted for:		
Debt service	4,802,458	4,902,873
Capital projects	24,570,433	26,265,550
Educational programs	265,927	538,225
Unrestricted	4,663,550	1,842,247
Total Net Assets	<u>\$ 20,165,908</u>	<u>\$ 18,992,809</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	June 30, 2006	June 30, 2005
OPERATING REVENUES		
Tuition and Fees	\$ 2,976,348	\$ 2,533,540
Less: Scholarship discount and allowance	(1,159,795)	(1,192,730)
Net tuition and fees	<u>1,816,553</u>	<u>1,340,810</u>
Grants and Contracts, noncapital:		
Federal	3,054,110	3,294,392
State	2,514,496	3,284,343
Local	215,311	176,075
TOTAL OPERATING REVENUES	<u>7,600,470</u>	<u>8,095,620</u>
OPERATING EXPENSES		
Salaries	16,311,959	15,698,149
Employee benefits	5,295,296	4,969,009
Supplies, materials, and other operating expenses and services	9,793,457	9,931,864
Depreciation	679,176	664,499
TOTAL OPERATING EXPENSES	<u>32,079,888</u>	<u>31,263,521</u>
OPERATING LOSS	<u>(24,479,418)</u>	<u>(23,167,901)</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	6,734,651	6,083,589
Local property taxes	14,431,211	12,475,226
State taxes and other revenues	4,902,322	6,361,833
Investment income, net	1,039,667	706,179
Interest expense on capital related debt	(1,344,463)	(823,404)
Other non-operating expenses	(214,661)	(445,583)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>25,548,727</u>	<u>24,357,840</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	1,069,309	1,189,939
OTHER REVENUES AND EXPENSES		
State revenues, capital	103,790	700,568
Local revenues, capital	-	269,508
TOTAL OTHER REVENUES AND EXPENSES	<u>103,790</u>	<u>970,076</u>
NET INCREASE IN NET ASSETS	1,173,099	2,160,015
NET ASSETS, BEGINNING OF YEAR	18,992,809	16,832,794
NET ASSETS, END OF YEAR	<u>\$ 20,165,908</u>	<u>\$ 18,992,809</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30, 2006	June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,816,553	\$ 1,340,810
Federal grants and contracts	3,099,142	3,294,392
State grants and contracts	2,806,105	3,284,343
Local grants and contracts	215,311	176,075
Payments to suppliers	(11,081,589)	(10,420,780)
Payments to/(on behalf of) employees	(21,574,790)	(20,668,158)
Net Cash Used by Operating Activities	<u>(24,719,268)</u>	<u>(22,993,318)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	7,299,908	6,083,589
Property taxes	13,798,696	12,475,226
State taxes and other apportionments	4,902,322	5,861,735
Net Cash Provided by Noncapital Financing Activities	<u>26,000,926</u>	<u>24,420,550</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(2,582,462)	(1,383,922)
State revenue, capital projects	103,790	700,568
Local revenue, capital projects	-	269,508
Principal paid on capital debt	(1,077,000)	(12,000)
Interest paid on capital debt	(1,344,662)	(823,404)
Net Cash Provided by Capital Financing Activities	<u>(4,900,334)</u>	<u>(1,249,250)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	<u>1,010,742</u>	<u>695,503</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,607,934)	874,485
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>35,815,475</u>	<u>34,940,990</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 33,207,541</u>	<u>\$ 35,815,475</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS, Continued FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating loss	\$ (24,479,418)	\$ (23,167,901)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	679,176	664,499
Miscellaneous nonoperating income		
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivables	(234,565)	298,143
(Increase)/decrease in prepaids	13,258	33,545
Increase/(decrease) in accounts payable and accrued liabilities	(1,094,199)	(350,138)
Increase/(decrease) in deferred revenue	459,908	(523,399)
Increase in funds held for others	<u>(63,428)</u>	<u>51,933</u>
Total Adjustments	<u>(239,850)</u>	<u>174,583</u>
Net Cash Flows From Operating Activities	<u><u>\$ (24,719,268)</u></u>	<u><u>\$ (22,993,318)</u></u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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 operates under a locally elected eight-member Board of Trustees form of government. 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 of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

During the year ended June 30, 2004, the District implemented 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.

The following entities do not meet the criteria for inclusion as component units of the District. Additional information is included in Note 14 to the financial statements.

- Public Entity Risk Pools

The District is associated with two public entity risk pools, the Bay Area Community College District (BACCD) and the Northern California Community College Pool (NCCCP). These organizations do not meet the criteria for inclusion as component units of the District.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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.

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.

Deferred Issuance Costs

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable business-type activities statement of net assets. Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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:

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 - Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity.

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 (4) interest on institutional student loans.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

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.

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*.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

New Accounting Pronouncements

- **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 have been 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 2007-2008 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 implemented this statement.
- **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 implemented this statement.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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.

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 Corporate 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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Summary of Deposits and Investments

Deposits and investments as of June 30, 2006 and 2005, are classified in the accompanying financial statements as follows:

	<u>2006</u>	<u>2005</u>
Governmental activities	\$ 32,734,240	\$ 35,373,093
Fiduciary funds	347,282	442,382
Total Deposits and Investments	<u>\$ 33,081,522</u>	<u>\$ 35,815,475</u>

Deposits and investments as of June 30, 2006 and 2005, consist of the following:

	<u>2006</u>	<u>2005</u>
Cash on hand and in banks	\$ 142,039	\$ 43,090
Cash in revolving	11,200	11,200
Investments	32,928,283	35,761,185
Total Deposits and Investments	<u>\$ 33,081,522</u>	<u>\$ 35,815,475</u>

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 Pool and purchasing 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, 2006 and 2005:

June 30, 2006

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	32,928,283	32,928,283	-	-	-
Total	<u>\$ 32,954,823</u>	<u>\$ 32,954,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

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>

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, 2006

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
Certificate of Deposit	\$ 26,540	N/A	\$ -	\$ -	\$ 26,540
County Pool	32,928,283	N/A	-	-	32,928,283
Total	<u>\$ 32,954,823</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,954,823</u>

June 30, 2005

Investment Type	Fair Value	Minimum Legal Rating	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>\$ 35,761,185</u>

N/A - Not applicable

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, 2006, the District's bank balance of \$153,239 was not exposed to custodial credit risk because it was fully covered by FDIC insurance.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 3 - ACCOUNTS RECEIVABLES

Receivables at June 30, 2006 and 2005, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Federal Government		
Categorical aid	\$ 323,778	\$ 368,810
State Government		
Apportionment	581,509	530,443
Categorical aid	198,430	78,303
Lottery	173,659	300,000
Other state sources	71,171	34,968
Local Government		
Interest	300,134	271,209
Student receivables	34,201	31,162
Other local sources	622,139	455,561
Total	<u>\$ 2,305,021</u>	<u>\$ 2,070,456</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, 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	-	2,201,697	-	2,201,697
Total Capital Assets Not Being Depreciated	<u>350,809</u>	<u>2,201,697</u>	<u>-</u>	<u>2,552,506</u>
Capital Assets Being Depreciated				
Land improvements	805,906	23,862	-	829,768
Buildings and improvements	22,269,881	-	-	22,269,881
Furniture and equipment	2,350,514	334,237	-	2,684,751
Vehicles	190,938	22,666	-	213,604
Total Capital Assets Being Depreciated	<u>25,617,239</u>	<u>380,765</u>	<u>-</u>	<u>25,998,004</u>
Total Capital Assets	<u>25,968,048</u>	<u>2,582,462</u>	<u>-</u>	<u>28,550,510</u>
Less Accumulated Depreciation				
Land improvements	550,169	13,561	-	563,730
Buildings and improvements	7,877,449	452,024	-	8,329,473
Furniture and equipment	1,576,823	201,487	11,053	1,767,257
Vehicles	156,884	12,104	-	168,988
Total Accumulated Depreciation	<u>10,161,325</u>	<u>679,176</u>	<u>11,053</u>	<u>10,829,448</u>
Net Capital Assets	<u>\$ 15,806,723</u>	<u>\$ 1,903,286</u>	<u>\$ (11,053)</u>	<u>\$ 17,721,062</u>

Depreciation expense for the year was \$679,176.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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 Assets	<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.

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 reimbursable 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, 2006 AND 2005**

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. 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, 2006 and 2005, consisted of the following:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Prepaid debt issuance costs - unamortized	\$ 447,563	\$ 481,940
Other	23,351	2,232
Total	<u>\$ 470,914</u>	<u>\$ 484,172</u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2006 and 2005, consisted of the following:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Salaries and benefits	\$ 595,319	\$ 562,854
Apportionment	616,323	-
Accrued interest	583,860	584,059
Vendor	980,956	2,723,744
Total	<u>\$ 2,776,458</u>	<u>\$ 3,870,657</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2006 and 2005, consisted of the following:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
State categorical aid	\$ 448,018	\$ 126,420
Deferred enrollment	336,690	-
Deferred foreign tuition	8,562	-
Parking	16,340	-
Deferred kids	33,284	-
Deferred health	19,011	-
Deferred star	37,790	-
Other local	110,005	423,372
Total	<u>\$ 1,009,700</u>	<u>\$ 549,792</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>	<u>Due in One Year</u>
Bonds Payable					
Student center revenue bond	\$ 12,000	\$ -	\$ 12,000	\$ -	\$ -
General obligation bond -2004A	29,170,000	-	660,000	28,510,000	1,040,000
General obligation bond -2004B	830,000	-	405,000	425,000	425,000
Total Bonds Payable	<u>30,012,000</u>	<u>-</u>	<u>1,077,000</u>	<u>28,935,000</u>	<u>1,465,000</u>
Other Liabilities					
Compensated absences	356,027	13,989	-	370,016	-
Total Other Liabilities	<u>356,027</u>	<u>13,989</u>	<u>-</u>	<u>370,016</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 30,368,027</u>	<u>\$ 13,989</u>	<u>\$ 1,077,000</u>	<u>\$ 29,305,016</u>	<u>\$ 1,465,000</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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, 2006, \$30,000,000 had been issued and \$28,935,000 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. By June 30, 2006, the bonds were paid in full.

Debt Maturity

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	265,000	1,310,681	1,575,681
2012-2016	2,530,000	6,345,038	8,875,038
2017-2021	5,195,000	5,569,851	10,764,851
2022-2026	9,255,000	3,831,519	13,086,519
2027-2029	8,270,000	938,850	9,208,850
Total	<u>\$ 28,935,000</u>	<u>\$ 23,420,716</u>	<u>\$ 52,355,716</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$370,016.

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 2005-2006 fiscal year, the District provided insurance premium benefits to 72 retired employees with total expenditures of \$462,318.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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, 2006, 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.

Workers' Compensation

For fiscal year 2006, the District participated in the Northern California Community College Pool (NCCCP) 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).

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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 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 2005-2006 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$685,110, \$656,860, and \$651,695, 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.

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 2005-2006 was 9.116 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ended June 30, 2006, 2005, and 2004, were \$565,359, \$607,851, and \$576,969, 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 \$375,108 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2006. These amounts have been reflected in the financial statements as a component of state 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, 2006.

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, 2006.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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, 2006, amounted to approximately \$360,000.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Bay Area Community College District (BACCD) public entity pool and the Northern California Community College Pool (NCCCP) 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 pools is such that they are not component units of the District for financial reporting purposes.

The pools 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 pools 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, 2006, the District made payments of \$127,168 and \$484,344 to BACCD and NCCCP, respectively.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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:

Year ended June 30, 2006

	Salaries	Employee Benefits ¹	Supplies, Materials, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 7,808,443	\$2,046,143	\$ 628,364	\$ 388,688	\$ -	\$ 10,871,638
Academic support	2,614,383	852,551	698,949	148,902	-	4,314,786
Student services	2,817,564	817,426	246,428	58,964	-	3,940,382
Plant operations and maintenance	567,174	230,931	3,351,504	476,816	-	4,626,426
Institutional support services	1,779,009	810,191	1,294,694	94,278	-	3,978,172
Community services and economic development	451,484	103,073	313,939	8,079	-	876,576
Ancillary services and auxiliary operations	273,901	59,872	148,260	40,369	-	522,402
Student aid	-	-	-	-	-	-
Interest expense on debt	-	-	1,344,463	-	-	1,344,463
Physical property and related acquisitions	-	-	546,161	4,599	-	550,760
Unallocated depreciation	-	-	-	-	679,176	679,176
Total	\$ 16,311,959	\$4,920,188	\$ 8,572,762	\$ 1,220,695	\$ 679,176	\$ 31,704,780

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

Year ended June 30, 2005

	Salaries	Employee Benefits ¹	Supplies, 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	-	-	823,404	-	-	-
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	\$ 15,698,149	\$ 4,502,414	\$ 10,387,924	\$ 811,927	\$ 664,499	\$ 32,064,912

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

SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2006

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
Mark Dover	Vice President	2008
Kent Child	Clerk	2006
Laura Perry, Esq.	Trustee	2006
Elvira Robinson, Esq.	Trustee	2006
Debra Smith	Trustee	2006
Leonard Washington	Trustee	2008
Jesse Sandow	Student Trustee	2006

ADMINISTRATION

Dr. Steven Kinsella	Superintendent/President
Sherrean Carr	Interim, Vice President of Instructional Services
John Pruitt	Interim, Vice President of Student Services
Joseph Keeler	Vice President of Administrative Services
Sherrean Carr	Dean of Technical and Public Services
Fran Lozano	Dean of Liberal Arts and Sciences
VACANT	Dean of Student Services
Ron Hannon	Athletic Director
Fran Lopez	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, 2006**

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	\$ 99,482
High Education - TRIO Staff Training Program	84.042A	225,533
Teacher Recruitment Grant	84.336C	11,791
Title V	84.298	177,438
Title III - Higher Education, Strengthening Insitutions ¹	84.031C	306,809
Student Financial Aid		
Pell Grant ¹	84.063	1,785,818
SEOG	84.007	33,549
Passed through California Department of Education (CDE):		
VTEA		
Tech Preparation	84.048	74,883
Title I C	84.048	<u>107,261</u>
Subtotal		<u>2,822,564</u>
U.S. DEPARTMENT AGRICULTURE		
Passed through California Department of Education (CDE):		
Child and Adult Care Food Program	10.558	34,234
U.S. DEPARTMENT HOUSING AND URBAN DEVELOPMENT		
Hispanic Serving Institutions Assisting Communities	14.514	197,312
Total Expenditures of Federal Awards		<u><u>\$ 3,054,110</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	196,756
EOPS	461,801
CARE	134,539
DSPS	1,650,126
Matriculation - Credit and Noncredit	278,899
Nurse Workforce Initiative	81,036
Staff Diversity	11,392
EdFund-EdShare	37,166
SBDC	214,930
Telecommunications	36,698
Instructional Equipmnet On Going	102,568
Cal Grant B & C	210,205
MESA	130,314
Child Development Center	153,398
General Child Care	64,356
CDC Preschool Grant	133,292
Capacity Bldg.-RN	11,518
Workability Grant	153,873
Total State Programs	<u>\$ 4,081,912</u>

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2006**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	329	-	329
2. Weekly census	2,860	-	2,860
3. Daily census	94	-	94
4. Actual hours of attendance	668	-	668
5. Independent study/work experience	108	-	108
Subtotal	<u>4,059</u>	<u>-</u>	<u>4,059</u>
B. <u>Noncredit FTES</u>			
1. Summer	86	-	86
2. Actual hours of attendance	532	-	532
Subtotal	<u>618</u>	<u>-</u>	<u>618</u>
Total FTES	<u>4,677</u>	<u>-</u>	<u>4,677</u>
C. <u>Basic Skills Courses</u>			
1. Credit	394	-	394
2. Non credit	-	-	-
Total Basic Skills FTES	<u>394</u>	<u>-</u>	<u>394</u>
D. <u>FTES Generated in Leased Space</u>			
	<u>532</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**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements.

	General Unrestricted	Bond Interest and Redemption	Property Development	Measure E Construction
FUND BALANCE				
Balance, June 30, 2006, (CCFS-311)	\$ 2,267,386	\$ 1,900,804	\$ 349,966	\$ 24,476,591
Increase/(decrease) in:				
Cash in county treasury	(20,045)	-	-	(217,981)
(Increase)/decrease in:				
Accounts payable	-	-	(39,112)	(31,132)
Deferred revenue	-	399,586	-	-
Balance, June 30, 2006, Audited Financial Statement	<u>\$ 2,247,341</u>	<u>\$ 2,300,390</u>	<u>\$ 310,854</u>	<u>\$ 24,227,478</u>

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 General Apportionment

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. These schedules provide 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 basic financial statements of Gavilan Joint Community College District (the District) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 17, 2006. 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 Community Colleges 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.

Varrinck, Trine, Day & Co., LLP

Fresno, California
November 17, 2006



**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, 2006. 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, 2006.

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 Community Colleges 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.

Vavrunik, Trine, Day & Co., LLP

Fresno, California
November 17, 2006



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited the basic financial statements of the Gavilan Joint Community College District (the District) for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 17, 2006.

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 Directive

- MIS Implementation - Required Data Elements

Administration

- Open Enrollment
- Minimum Conditions - Standards of Scholarship
- Student Fee - Instructional Materials and Health Fees
- Apportionment of Instructional Service Agreements/Contracts
- Residency Determination for Credit Courses
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Enrollment Fee
- Students Actively Enrolled
- Salaries of Classroom Instructors (50% Law)
- Use of Matriculation Funds
- Allocation of Costs (DSPS and EOPS)
- Non Credit Courses

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, 2006.

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

Varronek, Trine, Day & Co., LLP

Fresno, California
November 17, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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>84.031C</u>	<u>Title III - Higher Education, Strengthening Instit.</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</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, 2006**

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, 2006**

	General Unrestricted Fund 10	Instructional Equipment Fund 24	Parking Fund 26	Restricted Fund 27
ASSETS				
Cash and cash equivalents	\$ 20,000	\$ -	\$ -	\$ -
Investments	2,544,740	27,032	284,144	328,261
Accounts receivable, net	1,306,447	-	3,505	519,429
Due from other funds	80,921	-	-	-
Prepaid expenses	4,992	-	-	18,359
Total Assets	<u>\$ 3,957,100</u>	<u>\$ 27,032</u>	<u>\$ 287,649</u>	<u>\$ 866,049</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	1,273,243	1,960	5,382	270,006
Due to other funds	52,035	-	-	20,343
Deferred revenue	384,481	25,072	16,340	575,700
Total Liabilities	<u>1,709,759</u>	<u>27,032</u>	<u>21,722</u>	<u>866,049</u>
FUND EQUITY				
Fund Balances				
Unreserved				
Designated	20,000	-	-	-
Undesignated	2,227,341	-	265,927	-
Total Fund Equity	<u>2,247,341</u>	<u>-</u>	<u>265,927</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 3,957,100</u>	<u>\$ 27,032</u>	<u>\$ 287,649</u>	<u>\$ 866,049</u>

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

General Restricted Funds 24, 26, 27	Child Development Fund 72	Bond Interest and Redemption Fund 21	Debt Service Fund 92	Capital Projects Fund 34	Property Development Capital Projects Fund 43
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
639,437	(21,743)	2,286,792	2,502,068	(31,012)	395,175
522,934	28,823	13,598	-	63,113	4,818
-	55,194	-	-	-	-
18,359	-	-	-	-	-
<u>\$ 1,180,730</u>	<u>\$ 62,274</u>	<u>\$ 2,300,390</u>	<u>\$ 2,502,068</u>	<u>\$ 32,101</u>	<u>\$ 399,993</u>
277,348	11,932	-	-	-	89,139
20,343	50,342	-	-	-	-
617,112	-	-	-	-	-
<u>914,803</u>	<u>62,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,139</u>
-	-	-	-	-	-
265,927	-	2,300,390	2,502,068	32,101	310,854
<u>265,927</u>	<u>-</u>	<u>2,300,390</u>	<u>2,502,068</u>	<u>32,101</u>	<u>310,854</u>
<u>\$ 1,180,730</u>	<u>\$ 62,274</u>	<u>\$ 2,300,390</u>	<u>\$ 2,502,068</u>	<u>\$ 32,101</u>	<u>\$ 399,993</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2006**

	Measure E Bond Construction Fund 60	Total Governmental Funds (Memorandum Only)
ASSETS		
Cash and cash equivalents	\$ -	\$ 20,000
Investments	24,398,783	32,714,240
Accounts receivable, net	279,695	2,219,428
Due from other funds	-	136,115
Prepaid expenses	-	23,351
Total Assets	<u>\$ 24,678,478</u>	<u>\$ 35,113,134</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	444,855	2,096,517
Due to other funds	6,145	128,865
Deferred revenue	-	1,001,593
Total Liabilities	<u>451,000</u>	<u>3,226,975</u>
FUND EQUITY		
Fund Balances		
Unreserved		
Designated	-	20,000
Undesignated	24,227,478	31,866,159
Total Fund Equity	<u>24,227,478</u>	<u>31,886,159</u>
Total Liabilities and Fund Equity	<u>\$ 24,678,478</u>	<u>\$ 35,113,134</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, 2006**

	General Fund Unrestricted Fund 10	General Fund Restricted Funds 24, 26, 27	Child Development Fund 72
REVENUES			
Federal revenues	\$ -	\$ 1,200,509	\$ 34,234
State revenues	8,548,019	2,650,036	239,547
Local revenues	14,644,093	1,042,979	295,327
Total Revenues	<u>23,192,112</u>	<u>4,893,524</u>	<u>569,108</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	8,158,323	1,609,548	-
Classified salaries	4,011,469	1,958,854	477,542
Employee benefits	4,152,595	919,028	191,499
Books and supplies	444,358	314,512	32,322
Services and operating expenditures	4,336,808	723,797	5,146
Capital outlay	237,786	606,198	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>21,341,339</u>	<u>6,131,937</u>	<u>706,509</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>1,850,773</u>	<u>(1,238,413)</u>	<u>(137,401)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	1,457,849	137,401
Operating transfers out	(1,563,697)	(31,553)	-
Other uses	-	(460,180)	-
Total Other Financing Sources/(Uses)	<u>(1,563,697)</u>	<u>966,116</u>	<u>137,401</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	287,076	(272,297)	-
FUND BALANCE, BEGINNING OF YEAR	1,960,265	538,224	-
FUND BALANCE, END OF YEAR	<u>\$ 2,247,341</u>	<u>\$ 265,927</u>	<u>\$ -</u>

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	Property Development Capital Projects Fund 43	Measure E Bond Construction Fund 60	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,234,743
16,792	-	103,790	-	76,658	11,634,842
2,877,156	-	4,570	11,750	750,538	19,626,413
<u>2,893,948</u>	<u>-</u>	<u>108,360</u>	<u>11,750</u>	<u>827,196</u>	<u>32,495,998</u>
-	-	-	-	-	9,767,871
-	-	-	-	37,801	6,485,666
-	-	-	-	15,292	5,278,414
-	-	-	-	131	791,323
550	-	345,266	200,896	2,015,461	7,627,924
-	-	5,167	-	522,408	1,371,559
1,065,000	-	-	-	-	1,065,000
1,428,813	-	-	-	-	1,428,813
<u>2,494,363</u>	<u>-</u>	<u>350,433</u>	<u>200,896</u>	<u>2,591,093</u>	<u>33,816,570</u>
<u>399,585</u>	<u>-</u>	<u>(242,073)</u>	<u>(189,146)</u>	<u>(1,763,897)</u>	<u>(1,320,572)</u>
-	-	-	500,000	-	2,095,250
-	(500,000)	-	-	-	(2,095,250)
-	-	-	-	-	(460,180)
<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(460,180)</u>
399,585	(500,000)	(242,073)	310,854	(1,763,897)	(1,780,752)
1,900,805	3,002,068	274,174	-	25,991,375	33,666,911
<u>\$ 2,300,390</u>	<u>\$ 2,502,068</u>	<u>\$ 32,101</u>	<u>\$ 310,854</u>	<u>\$ 24,227,478</u>	<u>\$ 31,886,159</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2006**

	Associated Students Government Fund 47	Student Center Fund 66	Student Financial Aid Fund 48	Total
ASSETS				
Cash and cash equivalents	\$ 126,740	\$ 873	\$ 5,626	\$ 133,239
Investments	36,887	156,717	20,439	214,043
Accounts receivable, net	8,572	9,346	67,675	85,593
Total Assets	<u>\$ 172,199</u>	<u>\$ 166,936</u>	<u>\$ 93,740</u>	<u>\$ 432,875</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	316	2,025	93,740	96,081
Due to other funds	-	7,250	-	7,250
Deferred revenue	-	8,107	-	8,107
Due to student groups	171,883	149,554	-	321,437
Total Liabilities	<u>\$ 172,199</u>	<u>\$ 166,936</u>	<u>\$ 93,740</u>	<u>\$ 432,875</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, 2006**

	Associated Students Trust	Student Center Fund	Student Financial Aid	Total
REVENUES				
Federal revenues	\$ -	\$ -	\$ 1,819,367	\$ 1,819,367
Local revenues	135,379	146,056	-	281,435
Total Revenues	<u>135,379</u>	<u>146,056</u>	<u>1,819,367</u>	<u>2,100,802</u>
EXPENDITURES				
Current Expenditures				
Classified salaries	-	44,433	-	44,433
Employee benefits	-	16,882	-	16,882
Services and operating expenditures	136,029	135,160	4,238	275,427
Debt service - principal	-	12,000	-	12,000
Debt service - interest and other	-	360	-	360
Total Expenditures	<u>136,029</u>	<u>208,835</u>	<u>4,238</u>	<u>349,102</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(650)</u>	<u>(62,779)</u>	<u>1,815,129</u>	<u>1,751,700</u>
OTHER FINANCING SOURCES/(USES)				
Other uses	-	-	(1,815,129)	(1,815,129)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(1,815,129)</u>	<u>(1,815,129)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(650)</u>	<u>(62,779)</u>	<u>-</u>	<u>(63,429)</u>
DUE TO STUDENT GROUPS, BEGINNING	<u>172,533</u>	<u>212,333</u>	<u>-</u>	<u>384,866</u>
DUE TO STUDENT GROUPS, ENDING	<u>\$ 171,883</u>	<u>\$ 149,554</u>	<u>\$ -</u>	<u>\$ 321,437</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GENERAL FUND RESTRICTED
BALANCE SHEETS
JUNE 30, 2006**

	Instructional Equipment Fund 24	Parking Fund 26	Restricted Fund 27	Total General Restricted Funds 24, 26, 27
ASSETS				
Investments	\$ 27,032	\$ 284,144	\$ 328,261	\$ 639,437
Accounts receivable, net	-	3,505	519,429	522,934
Prepaid expenses	-	-	18,359	18,359
Total Assets	\$ 27,032	\$ 287,649	\$ 866,049	\$ 1,180,730
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	1,960	5,382	270,006	277,348
Due to other funds	-	-	20,343	20,343
Deferred revenue	25,072	16,340	575,700	617,112
Total Liabilities	27,032	21,722	866,049	914,803
FUND EQUITY				
Fund Balances				
Unreserved				
Undesignated	-	265,927	-	265,927
Total Fund Equity	-	265,927	-	265,927
Total Liabilities and Fund Equity	\$ 27,032	\$ 287,649	\$ 866,049	\$ 1,180,730

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, 2006**

	Instructional Equipment Fund 24	Parking Fund 26	General Fund Restricted Fund 27	Total General Fund Restricted Funds 24, 26, 27
REVENUES				
Federal revenues	\$ -	\$ -	\$ 1,200,509	\$ 1,200,509
State revenues	139,265	-	2,510,771	2,650,036
Local revenues	-	163,841	879,138	1,042,979
Total Revenues	<u>139,265</u>	<u>163,841</u>	<u>4,590,418</u>	<u>4,893,524</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	-	-	1,609,548	1,609,548
Classified salaries	-	83,809	1,875,045	1,958,854
Employee benefits	-	32,730	886,298	919,028
Books and supplies	112,032	1,366	201,114	314,512
Services and operating expenditures	3,170	5,492	715,135	723,797
Capital outlay	24,063	31,168	550,967	606,198
Total Expenditures	<u>139,265</u>	<u>154,565</u>	<u>5,838,107</u>	<u>6,131,937</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>-</u>	<u>9,276</u>	<u>(1,247,689)</u>	<u>(1,238,413)</u>
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	-	1,457,849	1,457,849
Operating transfers out	-	-	(31,553)	(31,553)
Other uses	-	-	(460,180)	(460,180)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>966,116</u>	<u>966,116</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>9,276</u>	<u>(281,573)</u>	<u>(272,297)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>256,651</u>	<u>281,573</u>	<u>538,224</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 265,927</u>	<u>\$ -</u>	<u>\$ 265,927</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2006

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 unaudited and is presented at the request of the District management.