

**GAVILAN JOINT COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2007

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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, 2007 and 2006, as listed in the Table of Contents. These basic 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, 2007 and 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2007, 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.

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 the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vautinsek, Irvine, Day & Co., LLP

Fresno, California
November 23, 2007

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

This section of Gavilan Joint Community College District's 2006-07 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. 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 (including capital assets), 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, governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified 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

The fiscal year ending June 30, 2007, provided Gavilan College with enough resources to stabilize the Budget and to make a number of 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 additional staff and equipment in order to offer a consistent 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, 2007

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:

Governmental 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

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 \$23.9 million, \$20.2 million, and \$19.0 million for the fiscal years ended June 30, 2007, June 30, 2006, and June 30, 2005, respectively. Of this amount, \$2.8 million, \$4.7million, and \$1.8 million were unrestricted as of June 30, 2007, 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, 2007

Table 1

(Amounts in thousands)	Governmental Activities for the Fiscal Year				
	2007	2006	Change	2005	Change
Current and other assets	\$ 28,717	\$ 35,857	\$ (7,140)	\$ 38,370	\$ (2,513)
Capital assets	29,102	17,721	11,381	15,807	1,914
Total Assets	57,819	53,578	4,241	54,177	(599)
Current liabilities	8,059	5,573	2,486	5,882	(309)
Long-term obligations	25,845	27,840	(1,995)	29,291	(1,451)
Total Liabilities	33,904	33,413	491	35,173	(1,760)
Net assets					
Invested in capital assets, net of related debt	1,233	(14,136)	15,369	(14,556)	420
Restricted	19,865	29,638	(9,773)	31,706	(2,068)
Unrestricted	2,817	4,664	(1,847)	1,842	2,822
Total Net Assets	\$ 23,915	\$ 20,166	\$ 3,749	\$ 18,992	\$ 1,174

The \$2.8 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 \$2.8 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, 2007

Table 2

(Amounts in thousands)	Governmental Activities for the Fiscal Year				
	2007	2006	Change	2005	Change
Revenues					
Operating revenues:					
Tuition and fees	\$ 1,727	\$ 1,817	\$ (90)	\$ 1,341	\$ 476
Grants and contracts - Federal	3,054	3,054	-	3,294	(240)
Grants and contracts - State and local	3,817	2,604	1,213	3,985	(1,381)
Non-operating revenues:					
State apportionment	11,080	6,735	4,345	6,084	651
Property taxes	15,525	14,431	1,094	12,475	1,956
State taxes and other revenue	5,647	4,902	745	6,361	(1,459)
Other revenues	1,259	1,144	115	1,151	(7)
Total Revenues	42,109	34,687	7,422	34,691	(4)
Expenses					
Salaries	17,818	16,312	1,506	15,698	614
Employee benefits	5,861	5,295	566	4,969	326
Supplies, materials and other operating expenses and services	12,364	9,793	2,571	9,932	(139)
Depreciation	707	679	28	664	15
Other non-operating expenses	1,609	1,435	174	1,268	167
Total Expenses	38,359	33,514	4,671	32,531	983
Change in Net Assets	\$ 3,750	\$ 1,173	\$ 2,751	\$ 2,160	\$ (987)

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 \$38.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$15.5 million because the cost was paid by those who benefited from the programs (\$1.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$6.9 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, 2007

Table 3

(Amounts in thousands)

	Operating Cost of Services for the Fiscal Year				
	2007	2006	Change	2005	Change
Salaries	\$ 17,818	\$ 16,312	\$ 1,506	\$ 15,698	\$ 614
Employee benefits	5,861	5,295	566	4,969	326
Supplies, materials and other operating expenses and services	12,364	9,793	2,571	9,932	(139)
Depreciation	707	679	28	665	14
Totals	\$ 36,750	\$ 32,079	\$ 4,671	\$ 31,264	\$ 815

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, 2007

	Salaries	Employee Benefits ¹	Supplies, Materials, and Other Expenses & Services	Equipment, Maintenance and Repairs	Depreciation	Total
Instructional Activities	\$ 8,029,838	\$ 2,740,823	\$ 2,141,768	\$ 447,004	\$ -	\$ 13,359,433
Academic Support	2,469,452	742,298	669,094	132,931	-	4,013,775
Student Services	3,434,000	912,816	524,127	89,009	-	4,959,952
Plant Operations and Maintenance	635,408	254,495	-	2,412,022	-	3,301,925
Institutional Support Services	2,212,467	839,726	1,536,730	114,694	-	4,703,618
Community Services and Economic Development	369,328	92,477	234,323	1,925	-	698,052
Ancillary Services and Auxiliary Operations	667,975	284,654	106,825	42,050	-	1,101,503
Student Aid	-	-	2,073,937	-	-	2,073,937
Interest Expense on Debt	-	-	1,380,100	-	-	1,380,100
Physical Property and Related Acquisitions	-	-	452,045	-	-	452,045
Unallocated Depreciation	-	-	-	-	707,292	707,292
Total	\$ 17,818,468	\$ 5,867,288	\$ 9,118,949	\$ 3,239,635	\$ 707,292	\$ 36,751,632

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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	<u>\$16,311,959</u>	<u>\$4,920,188</u>	<u>\$ 8,572,762</u>	<u>\$ 1,220,695</u>	<u>\$ 679,176</u>	<u>\$31,704,780</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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	-	-	-	-	-	-
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.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$22.9 million, which is a decrease of \$9.0 million from last year.

The primary reasons for these changes are:

1. Our General Fund increased by \$0.8 million.
2. Our Special Revenues Funds remained stable this year.
3. Our Debt Service Funds increased due to the contribution made to fund future retiree benefits.
4. The Measure E Construction Fund decreased by \$12.4 million 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 September 11, 2007.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had \$29.1 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 \$11.4 million, or 64 percent, from last year, predominately due to ongoing Measure E projects.

Table 4

(Amounts in thousands)	Fixed Assets for the Fiscal Year				
	2007	2006	Change	2005	Change
Land	\$ 351	\$ 351	\$ -	\$ 351	\$ -
Work in Progress	12,771	2,202	10,569	-	2,202
Land Improvements	866	830	36	806	24
Building and Improvements	23,531	22,270	1,261	22,270	-
Equipment and vehicles	3,121	2,897	224	2,541	356
Totals	40,640	28,550	12,090	25,968	2,582
Less Accumulated Depreciation	(11,537)	(10,829)	(708)	(10,161)	(668)
Net Totals	\$ 29,103	\$ 17,721	\$ 11,382	\$ 15,807	\$ 1,914

The District is in the construction phase for bond renovation projects. Many capital projects are planned to continue through the 2007-08 year.

Long-Term Obligations

At the end of this year, the District had \$27.9 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				
	2007	2006	Changes	2005	Changes
Revenue bonds	\$ -	\$ -	\$ -	\$ 12	\$ (12)
General obligation bonds	27,470	28,935	(1,465)	30,000	(1,065)
Compensated absences	476	370	106	356	14
Totals	\$ 27,946	\$ 29,305	\$ (1,359)	\$ 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, 2007

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-07 ARE NOTED BELOW:

The most significant accomplishment of fiscal year 2006-2007 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.

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.

In addition, the Accrediting Commission for Community and Junior Colleges (of the Western Associations of Schools and Colleges) took action to reaffirm the six-year accreditation of Gavilan College. The Accrediting Commission reached its decision after a review of the institution's Self-Study Report (available at <http://www.gavlan.edu/accreditation/>) and the report of the evaluation team which visited Gavilan College in March, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2007-08 year, the District Board and management used the following criteria for estimating unrestricted general fund revenues:

In fiscal year 2007-2008 it is expected that Gavilan College's base revenue of \$25.5 million will increase from that of fiscal year 2006-2007 by a net of approximately \$1.2 million. The 2007-2008 adopted budget is based on zero growth revenue and a COLA of \$1.2 million.

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, 2007 AND 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 156,092	\$ 153,239
Investments	24,727,454	32,928,283
Accounts receivable, net	3,337,098	2,305,021
Prepaid expenses	496,427	470,914
Total Current Assets	<u>28,717,071</u>	<u>35,857,457</u>
Noncurrent Assets:		
Nondepreciable capital assets	13,122,288	2,552,506
Depreciable capital assets	27,517,080	25,998,004
Less: Accumulated depreciation	(11,536,740)	(10,829,448)
Total Noncurrent Assets	<u>29,102,628</u>	<u>17,721,062</u>
TOTAL ASSETS	<u>57,819,699</u>	<u>53,578,519</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	4,278,505	2,776,458
Deferred revenue	1,286,062	1,009,700
Amounts held in trust on behalf of others	393,656	321,437
Long-term liabilities - current portion	2,101,238	1,465,000
Total Current Liabilities	<u>8,059,461</u>	<u>5,572,595</u>
Noncurrent Liabilities:		
Long-term liabilities - noncurrent portion	25,845,000	27,840,016
Total Noncurrent Liabilities	<u>25,845,000</u>	<u>27,840,016</u>
TOTAL LIABILITIES	<u>33,904,461</u>	<u>33,412,611</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,232,628	(14,136,460)
Restricted for:		
Debt service	7,133,374	4,802,458
Capital projects	12,454,289	24,570,433
Educational programs	278,390	265,927
Unrestricted	2,816,557	4,663,550
Total Net Assets	<u>\$ 23,915,238</u>	<u>\$ 20,165,908</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, 2007 AND 2006**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
OPERATING REVENUES		
Tuition and Fees	\$ 2,943,060	\$ 2,976,348
Less: Scholarship discount and allowance	<u>(1,216,396)</u>	<u>(1,159,795)</u>
Net tuition and fees	<u>1,726,664</u>	<u>1,816,553</u>
Grants and Contracts, noncapital:		
Federal	3,054,153	3,054,110
State	3,215,399	2,514,496
Local	<u>106,336</u>	<u>215,311</u>
TOTAL OPERATING REVENUES	<u><u>8,102,552</u></u>	<u><u>7,600,470</u></u>
OPERATING EXPENSES		
Salaries	17,818,468	16,311,959
Employee benefits	5,861,238	5,295,296
Supplies, materials, and other operating expenses and services	12,364,634	9,793,457
Depreciation	<u>707,292</u>	<u>679,176</u>
TOTAL OPERATING EXPENSES	<u><u>36,751,632</u></u>	<u><u>32,079,888</u></u>
OPERATING LOSS	<u><u>(28,649,080)</u></u>	<u><u>(24,479,418)</u></u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	11,080,449	6,734,651
Local property taxes	15,524,647	14,431,211
State taxes and other local revenues	5,647,020	4,902,322
Investment income, net	1,258,293	1,039,667
Interest expense on capital related debt	(1,380,100)	(1,344,463)
Other non-operating expenses	<u>(228,909)</u>	<u>(214,661)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u><u>31,901,400</u></u>	<u><u>25,548,727</u></u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	3,252,320	1,069,309
OTHER REVENUES AND EXPENSES		
State revenues, capital	446,658	103,790
Local revenues, capital	<u>50,352</u>	<u>-</u>
TOTAL OTHER REVENUES AND EXPENSES	<u><u>497,010</u></u>	<u><u>103,790</u></u>
NET INCREASE IN NET ASSETS	3,749,330	1,173,099
NET ASSETS, BEGINNING OF YEAR	<u>20,165,908</u>	<u>18,992,809</u>
NET ASSETS, END OF YEAR	<u><u>\$ 23,915,238</u></u>	<u><u>\$ 20,165,908</u></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, 2007 AND 2006

	June 30, 2007	June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,745,057	\$ 1,816,553
Federal grants and contracts	3,250,205	3,099,142
State grants and contracts	3,521,307	2,806,105
Local grants and contracts	(7,643)	215,311
Payments to suppliers	(12,006,548)	(11,081,589)
Payments to/(on behalf of) employees	(23,651,128)	(21,574,790)
Net Cash Used by Operating Activities	(27,148,750)	(24,719,268)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	9,897,431	7,299,908
Other non-operating	(194,532)	(126,019)
Property taxes	15,524,647	13,798,696
State taxes and other apportionments	5,647,020	4,902,322
Net Cash Provided by Noncapital Financing Activities	30,874,566	25,874,907
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(10,818,886)	(2,582,462)
State revenue, capital projects	446,658	103,790
Local revenue, capital projects	50,352	-
Principal paid on capital debt	(1,465,000)	(1,077,000)
Interest paid on capital debt	(1,416,138)	(1,344,662)
Net Cash Provided by Capital Financing Activities	(13,203,014)	(4,900,334)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	1,279,222	1,010,742
NET INCREASE IN CASH AND CASH EQUIVALENTS	(8,197,976)	(2,733,953)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,081,522	35,815,475
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,883,546	\$ 33,081,522
CASH		
USED BY OPERATING ACTUALS		
Operating loss	\$ (28,649,080)	\$ (24,479,418)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	707,292	679,176
Miscellaneous nonoperating income		
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivables	(1,032,077)	(234,565)
(Increase)/decrease in prepaids	(25,513)	13,258
Increase/(decrease) in accounts payable and accrued liabilities	1,502,047	(1,094,199)
Increase/(decrease) in deferred revenue	276,362	459,908
Increase in funds held for others	72,219	(63,428)
Total Adjustments	1,500,330	(239,850)
Net Cash Flows From Operating Activities	\$ (27,148,750)	\$ (24,719,268)

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE 1 - 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

The District has adopted 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. The District has no component units.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. 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, 2007 AND 2006

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 States 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 Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

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 No. 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

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Accounts Receivable

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

Prepaid Expenditures

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

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. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

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. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Deferred Revenue

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

Net Assets

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

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 such as Endowment funds where future investment earnings may be used for the donor stipulated purpose.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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.

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.

On Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the State Teachers and the Public Employees Retirement Systems (STRS and PERS) on behalf of all community colleges in California. The amounts of on behalf payments were \$423,666 for STRS. No contribution for State PERS was made.

Estimates

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

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. 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*.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

- **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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

- 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.

Comparative Financial Information

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

NOTE 3 - CASH AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007 and 2006, are classified in the accompanying financial statements as follows:

	2007	2006
Governmental activities	\$ 24,418,093	\$ 32,734,240
Fiduciary funds	465,453	347,282
Total Deposits and Investments	<u>\$ 24,883,546</u>	<u>\$ 33,081,522</u>

Deposits and investments as of June 30, 2007 and 2006, consist of the following:

	2007	2006
Cash on hand and in banks	\$ 1,020,298	\$ 142,039
Cash in revolving	11,700	11,200
Investments	23,851,548	32,928,283
Total Deposits and Investments	<u>\$ 24,883,546</u>	<u>\$ 33,081,522</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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, 2007 AND 2006

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, 2007 and 2006:

June 30, 2007

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	\$ -	\$ -	\$ -
Mutual Funds	3,768,495	3,768,495	-	-	-
County Pool	20,056,513	20,056,513	-	-	-
Total	<u>\$ 23,851,548</u>	<u>\$ 23,851,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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>

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, 2007

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
Certificate of Deposit	\$ 26,540	N/A	\$ -	\$ -	\$ 26,540
Mutual Funds	3,768,495	N/A	-	-	3,768,495
County Pool	20,056,513	N/A	-	-	20,056,513
Total	<u>\$ 23,851,548</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,851,548</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

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>

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. Investments in any one issuer that represent five percent or more of the total investments are as follows:

Issuer	Investment Type	Reported Amount
Union Bank of California	Mutual Funds	<u>\$ 3,768,495</u>

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 for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2007, \$905,257 of the District's bank balances of \$1,118,183 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 4 - ACCOUNTS RECEIVABLES

Receivables at June 30, 2007 and 2006, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Federal Government		
Categorical aid	\$ 147,047	\$ 323,778
State Government		
Apportionment	1,764,527	581,509
Categorical aid	27,823	198,430
Lottery	379,959	173,659
Other state sources	34,077	71,171
Local Government		
Interest	279,205	300,134
Student receivables	15,808	34,201
Other local sources	688,652	622,139
Total	<u>\$ 3,337,098</u>	<u>\$ 2,305,021</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance Beginning of Year	Additions	Balance End of Year
Capital Assets Not Being Depreciated			
Land	\$ 350,809	\$ -	\$ 350,809
Construction in progress	2,201,697	10,569,782	12,771,479
Total Capital Assets Not Being Depreciated	<u>2,552,506</u>	<u>10,569,782</u>	<u>13,122,288</u>
Capital Assets Being Depreciated			
Land improvements	829,768	35,734	865,502
Buildings and improvements	22,269,881	1,260,864	23,530,745
Furniture and equipment	2,684,751	222,478	2,907,229
Vehicles	213,604	-	213,604
Total Capital Assets Being Depreciated	<u>25,998,004</u>	<u>1,519,076</u>	<u>27,517,080</u>
Total Capital Assets	<u>28,550,510</u>	<u>12,088,858</u>	<u>40,639,368</u>
Less Accumulated Depreciation			
Land improvements	563,730	3,538	567,268
Buildings and improvements	8,329,473	483,214	8,812,687
Furniture and equipment	1,767,257	208,893	1,976,150
Vehicles	168,988	11,647	180,635
Total Accumulated Depreciation	<u>10,829,448</u>	<u>707,292</u>	<u>11,536,740</u>
Net Capital Assets	<u>\$ 17,721,062</u>	<u>\$ 11,381,566</u>	<u>\$ 29,102,628</u>

Depreciation expense for the year was \$707,292.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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.

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2007 and 2006, consisted of the following:

	June 30, 2007	June 30, 2006
Prepaid debt issuance costs - unamortized	\$ 413,186	\$ 447,563
Other	83,241	23,351
Total	<u>\$ 496,427</u>	<u>\$ 470,914</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007 and 2006, consisted of the following:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Salaries and benefits	\$ 523,725	\$ 595,319
Apportionment	146,005	616,323
Accrued interest	570,860	583,860
Vendor	3,037,915	980,956
Total	<u>\$ 4,278,505</u>	<u>\$ 2,776,458</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2007 and 2006, consisted of the following:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
State categorical aid	\$ 752,525	\$ 448,018
Federal categorical aid	19,321	-
Deferred enrollment	255,296	336,690
Deferred foreign tuition	8,927	8,562
Parking	20,354	16,340
Deferred kids	34,577	33,284
Deferred health	29,317	19,011
Deferred STAR	36,462	37,790
Other local	129,283	110,005
Total	<u>\$ 1,286,062</u>	<u>\$ 1,009,700</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations for the fiscal year ended June 30, 2007, consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bond -2004A	\$28,510,000	\$ -	\$ 1,040,000	\$27,470,000	\$1,625,000
General obligation bond -2004B	425,000	-	425,000	-	-
Total Bonds Payable	<u>28,935,000</u>	<u>-</u>	<u>1,465,000</u>	<u>27,470,000</u>	<u>1,625,000</u>
Other Liabilities					
Compensated absences	370,016	106,222	-	476,238	476,238
Total Other Liabilities	<u>370,016</u>	<u>106,222</u>	<u>-</u>	<u>476,238</u>	<u>476,238</u>
Total Long-Term Obligations	<u>\$29,305,016</u>	<u>\$106,222</u>	<u>\$1,465,000</u>	<u>\$27,946,238</u>	<u>\$2,101,238</u>

Payments on the bonds are made by the Bond Interest and Redemption Fund with local property taxes. The accrued vacation obligation is paid by the fund for which the employee's salary is charged.

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, 2007, \$30,000,000 had been issued and \$28,935,000 was outstanding. Interest rates on the bonds are from 2.00 - 5.00 percent.

Debt Maturity

Fiscal Year End	Principal	Interest to Maturity	Total
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	335,000	1,301,738	1,636,738
2013-2017	2,990,000	6,242,950	9,232,950
2018-2022	5,885,000	5,310,895	11,195,895
2023-2027	10,265,000	3,345,675	13,610,675
2028-2029	5,775,000	484,000	6,259,000
Total	<u>\$27,470,000</u>	<u>\$22,004,578</u>	<u>\$49,474,578</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$476,238.

Summary

The changes in the District's long-term obligations for the fiscal year ended June 30, 2006, consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
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>

Payments on the bonds are made by the Bond Interest and Redemption Fund with local property taxes. The accrued vacation obligation is paid by the fund for which the employee's salary is charged.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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 as premiums are paid. During the 2006-2007 fiscal year, the District provided insurance premium benefits to 60 retired employees with total expenditures of \$504,788.

Based on an actuarial study dated January 1, 2006, the estimated actuarial determined liability for postemployment benefits totaled \$10,294,000 for current retirees and the District's current employee pool. The actuarial determine annual required contribution to fund the obligation is approximately \$756,000. The District has already contributed \$4,670,940 into an irrevocable trust for the sole purpose of funding the future postemployment benefits obligation.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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, 2007, 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 2007, 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).

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$773,797, \$685,110, and \$656,860, 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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 2006-2007 was 9.116 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ended June 30, 2007, 2006, and 2005, were \$602,494, \$565,359, and \$607,851, 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 \$423,666 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2007. These amounts have been reflected in the financial statements as a component of state revenue and employee benefit expense.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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, 2007.

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, 2007.

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, 2007, amounted to approximately \$350,000.

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 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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

During the year ended June 30, 2007, the District made payments of \$136,734 and \$294,587 to BACCD and NCCCP, respectively.

SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2007

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>
Mark Dover	President	2008
Debra Smith	Vice President	2010
Leonard Washington	Clerk	2008
Tom Breen	Trustee	2008
Kent Child	Trustee	2010
Laura Perry, Esq.	Trustee	2010
Elvira Robinson, Esq.	Trustee	2010
Jesse Sandow	Student Trustee	2007

ADMINISTRATION

Dr. Steven Kinsella	Superintendent/President
Adrienne Akinsete	Vice President of Instructional Services
John Pruitt	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
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
Susan Cheu	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, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Entitlements Current Year
U.S. DEPARTMENT OF EDUCATION		
Federal Work Study Program	84.033	\$ 91,587
High Education - TRIO Staff Training Program	84.042A	274,293
Passed through Hartnell Community College:		
Title V	84.298	296,857
Student Financial Aid:		
Pell Grant	84.063	2,056,804
SEOG	84.007	22,200
Passed through California Department of Education (CDE):		
VTEA:		
Tech Preparation	84.048	67,148
Title I C	84.048	116,462
Subtotal		<u>2,925,351</u>
U.S. DEPARTMENT AGRICULTURE		
Passed through California Department of Education (CDE):		
Child and Adult Care Food Program	10.558	<u>37,300</u>
U.S. DEPARTMENT OF REHABILITATION		
Direct Program:		
Disability Resource Center-Workability	94-2278279 ¹	190,004
Total Expenditures of Federal Awards		<u>\$ 3,152,655</u>

¹ Federal ID Number

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 66,340	\$ 14,769	\$ -	\$ 81,109	\$ 81,109
200,955	45,491	-	246,446	246,446
270,047	-	19,321	250,726	250,726
2,044,014	12,790	-	2,056,804	2,056,804
15,100	6,100	-	21,200	21,200
42,919	24,229	-	67,148	67,148
78,878	37,584	-	116,462	116,462
<u>2,718,253</u>	<u>140,963</u>	<u>19,321</u>	<u>2,839,895</u>	<u>2,839,895</u>
<u>24,757</u>	<u>5,380</u>	<u>-</u>	<u>30,137</u>	<u>30,137</u>
<u>183,417</u>	<u>704</u>	<u>-</u>	<u>184,121</u>	<u>184,121</u>
<u>\$ 2,926,427</u>	<u>\$ 147,047</u>	<u>\$ 19,321</u>	<u>\$ 3,054,153</u>	<u>\$ 3,054,153</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Program	Program	Program Revenues		
	Entitlements	Cash	Accounts	Deferred
	Current	Received	Receivable	Revenue
	Year			
TANF	\$ 24,829	\$ 24,829	\$ -	\$ -
Financial Aid - BFAP	207,543	208,421	-	6,024
EOPS	494,685	494,685	-	-
CARE	133,336	133,336	-	-
DSPS	713,573	713,573	-	61,258
Cal Works	226,178	226,178	-	-
Matriculation - Credit and Noncredit	427,346	427,363	-	96,897
Nurse Workforce Initiative	55,514	15,822	-	2,500
Staff Diversity	10,470	10,098	-	-
EdFund-EdShare	2,834	2,834	-	-
SBDC	205,000	154,780	27,496	-
HRDAC	21,308	23,013	-	21,713
One-Time Instructional Equipment	300,167	300,167	-	88,533
One-Time Career Technical	169,559	169,559	-	108,612
One-Time Basic Skills	236,202	236,202	-	232,695
Articulation	5,000	5,000	-	-
Cal Grant B & C	227,000	285,933	327	-
California High School Exit Exam	269,209	107,684	-	53,924
MESA	100,602	100,908	-	892
TTIP- Telecommunications Library	36,697	62,593	-	25,896
Theather Remodel-Scheduled Maintenance	250,000	250,000	-	-
One Time Scheduled Maintenance	50,167	50,167	-	-
General Child Care	234,128	185,772	-	-
CDC Preschool Grant	81,713	86,550	-	-
Capacity Grant-RN	55,500	105,345	-	53,581
Capacity Bldg.-RN	167,969	167,969	-	-
Disability Resource Center Carryover	183,458	179,565	-	-
Total State Programs	\$ 4,889,987	\$ 4,728,346	\$ 27,823	\$ 752,525

See accompanying note to supplementary information.

<u>Program Revenues</u>		<u>Total</u>
<u>Accounts Payable</u>	<u>Total Revenue</u>	<u>Program Expenditures</u>
\$ -	\$ 24,829	\$ 24,829
-	202,397	202,397
-	494,685	494,685
-	133,336	133,336
-	652,315	652,315
-	226,178	226,178
-	330,466	363,044
-	13,322	13,322
-	10,098	10,098
-	2,834	2,834
-	182,276	182,276
-	1,300	1,300
-	211,634	211,634
-	60,947	60,947
-	3,507	3,507
-	5,000	5,000
-	286,260	286,260
-	53,760	53,760
-	100,016	100,016
-	36,697	36,697
	250,000	37,462
	50,167	50,167
434	185,338	185,338
	86,550	86,550
	51,764	51,764
	167,969	167,969
-	179,565	179,565
<u>\$ 434</u>	<u>\$ 4,003,210</u>	<u>\$ 3,823,250</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2007**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	319	-	319
2. Weekly census	3,238	-	3,238
3. Daily census	67	-	67
4. Actual hours of attendance	863	-	863
5. Independent study/work experience	183	-	183
Subtotal	<u>4,670</u>	<u>-</u>	<u>4,670</u>
B. <u>Noncredit FTES</u>			
1. Summer	110	-	110
2. Actual hours of attendance	464	-	464
Subtotal	<u>574</u>	<u>-</u>	<u>574</u>
Total FTES	<u>5,244</u>	<u>-</u>	<u>5,244</u>
C. <u>Basic Skills Courses</u>			
1. Credit	456	-	456
2. Non credit	14	-	14
Total Basic Skills FTES	<u>470</u>	<u>-</u>	<u>470</u>
D. <u>FTES Generated in Leased Space</u>			
	<u>470</u>	<u>-</u>	<u>470</u>

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

There were no fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements.

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

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 - Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited the financial statements of Gavilan Joint Community College District (the District) of Gavilan Joint Community College District as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 23, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Gavilan Joint Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gavilan Joint Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gavilan Joint Community College District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gavilan Joint Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 and use 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.

Vavrinek, Urine, Day & Co, LLP

Fresno, California
November 23, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2007. Gavilan Joint Community College District's major Federal programs are identified in the summary of auditors' 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 Gavilan Joint Community College District's management. Our responsibility is to express an opinion on Gavilan Joint Community College 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; 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 Gavilan Joint Community College 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 of Gavilan Joint Community College 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, 2007.

Internal Control Over Compliance

The management of Gavilan Joint Community College District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Gavilan Joint Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use 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.

Vaurinek, Irvine, Day & Co., LLP

Fresno, California
November 23, 2007



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Gavilan Joint Community College District
Gilroy, California

We have audited the financial statements of the Gavilan Joint Community College District (the District) for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 23, 2007.

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

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 436: Minimum Conditions - Standards of Scholarship

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

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.

Vaukinek, Utkine, Day & Co., LLP

Fresno, California
November 23, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

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>
Significant deficiencies 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>
Significant deficiencies 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>84.007</u>	<u>SEOG</u>
<u>84.033</u>	<u>Federal Work Study</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>
Significant deficiencies 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, 2007**

FINANCIAL STATEMENT FINDINGS

There were no findings representing significant deficiencies, 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 significant deficiencies, 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 significant deficiencies, 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, 2007**

	General Unrestricted Fund 10	General Restricted Funds 24, 26, 27	Child Development Fund 72
ASSETS			
Cash and cash equivalents	\$ 20,000	\$ -	\$ -
Investments	2,204,012	1,376,811	(144,635)
Accounts receivable, net	2,604,233	384,118	26,554
Due from other funds	120,044	-	192,127
Prepaid expenses	9,914	23,327	-
Total Assets	\$ 4,958,203	\$ 1,784,256	\$ 74,046
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	1,121,185	507,381	5,394
Due to other funds	506,032	-	68,652
Deferred revenue	280,517	998,485	-
Total Liabilities	1,907,734	1,505,866	74,046
FUND EQUITY			
Fund Balances			
Unreserved			
Designated	20,000	-	-
Undesignated	3,030,469	278,390	-
Total Fund Equity	3,050,469	278,390	-
Total Liabilities and Fund Equity	\$ 4,958,203	\$ 1,784,256	\$ 74,046

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 Funds (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
2,444,095	4,673,010	320,223	71,505	13,453,071	24,398,092
16,269	-	38,633	1,278	194,003	3,265,088
-	-	308,000	-	3,937	624,108
-	-	-	-	50,000	83,241
<u>\$ 2,460,364</u>	<u>\$ 4,673,010</u>	<u>\$ 666,856</u>	<u>\$ 72,783</u>	<u>\$ 13,701,011</u>	<u>\$ 28,390,529</u>
-	-	51,763	14,159	1,888,372	3,588,254
-	-	17,755	944	13,368	606,751
-	-	-	-	-	1,279,002
-	-	<u>69,518</u>	<u>15,103</u>	<u>1,901,740</u>	<u>5,474,007</u>
-	-	-	-	-	20,000
2,460,364	4,673,010	597,338	57,680	11,799,271	22,896,522
<u>2,460,364</u>	<u>4,673,010</u>	<u>597,338</u>	<u>57,680</u>	<u>11,799,271</u>	<u>22,916,522</u>
<u>\$ 2,460,364</u>	<u>\$ 4,673,010</u>	<u>\$ 666,856</u>	<u>\$ 72,783</u>	<u>\$ 13,701,011</u>	<u>\$ 28,390,529</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

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

Total Fund Balance - All District Funds	\$ 22,916,522
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$40,639,368
Accumulated depreciation is	<u>(11,536,740)</u> 29,102,628
Expenditures relating to issuance of debt are not recognized in modified accrual basis, but should be recognized in the accrual basis as prepaid expenditures.	413,186
In governmental funds, unmatured interest on long-term obligations are recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	(570,860)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	27,470,000
Compensated absences (vacations)	<u>476,238</u> (27,946,238)
Total Net Assets	<u>\$ 23,915,238</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, 2007

	General Fund Unrestricted Fund 10	General Fund Restricted Funds 24, 26, 27	Child Development Fund 72
REVENUES			
Federal revenues	\$ -	\$ 946,012	\$ 30,137
State revenues	13,319,257	3,463,729	271,888
Local revenues	15,216,213	1,150,354	260,620
Total Revenues	<u>28,535,470</u>	<u>5,560,095</u>	<u>562,645</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	9,147,351	1,615,291	-
Classified salaries	4,385,980	2,007,248	475,836
Employee benefits	4,637,023	997,495	194,693
Books and supplies	479,043	398,777	20,871
Services and operating expenditures	5,320,725	729,925	10,429
Capital outlay	230,771	611,520	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>24,200,893</u>	<u>6,360,256</u>	<u>701,829</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>4,334,577</u>	<u>(800,161)</u>	<u>(139,184)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	1,372,147	139,184
Operating transfers out	(3,531,445)	(29,886)	-
Other uses	-	(529,637)	-
Total Other Financing Sources/(Uses)	<u>(3,531,445)</u>	<u>812,624</u>	<u>139,184</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	803,132	12,463	-
FUND BALANCE, BEGINNING OF YEAR	2,247,337	265,927	-
FUND BALANCE, END OF YEAR	<u>\$ 3,050,469</u>	<u>\$ 278,390</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 976,149
16,178	-	446,658	-	-	17,517,710
3,002,446	426,338	55,838	11,781	976,676	21,100,266
<u>3,018,624</u>	<u>426,338</u>	<u>502,496</u>	<u>11,781</u>	<u>976,676</u>	<u>39,594,125</u>
-	-	-	-	-	10,762,642
-	-	-	-	43,829	6,912,893
-	-	-	-	16,888	5,846,099
-	-	-	-	140,966	1,039,657
550	5,396	201,526	264,953	9,884,127	16,417,631
-	-	35,734	-	3,319,073	4,197,098
1,465,000	-	-	-	-	1,465,000
1,393,100	-	-	-	-	1,393,100
<u>2,858,650</u>	<u>5,396</u>	<u>237,260</u>	<u>264,953</u>	<u>13,404,883</u>	<u>48,034,120</u>
159,974	420,942	265,236	(253,172)	(12,428,207)	(8,439,995)
-	1,750,000	300,000	-	-	3,561,331
-	-	-	-	-	(3,561,331)
-	-	-	-	-	(529,637)
<u>-</u>	<u>1,750,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>(529,637)</u>
159,974	2,170,942	565,236	(253,172)	(12,428,207)	(8,969,632)
2,300,390	2,502,068	32,102	310,852	24,227,478	31,886,154
<u>\$ 2,460,364</u>	<u>\$ 4,673,010</u>	<u>\$ 597,338</u>	<u>\$ 57,680</u>	<u>\$ 11,799,271</u>	<u>\$ 22,916,522</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND
BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Total Net Change in Fund Balances - Governmental Funds **\$ (8,969,632)**
**Amounts Reported for Governmental Activities in the Statement of
 Activities are Different Because:**

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

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

Depreciation expense	\$ (707,292)	
Capital outlays	<u>12,088,858</u>	11,381,566

Bond premiums and discounts are recognized in the governmental funds when debt is issued, however they are recorded as other liabilities and amortized over the term of the bond on the district-wide statement of net assets and statement of revenues, expenses and changes in net assets. (34,382)

In the Statement of Activities, compensated absences is measured by the amount incurred during the year in the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year vacation earned was more than the amounts used. (106,222)

Unmatured interest on long-term debt is recognized in the period when it is due in governmental fund. On the governmental-wide statements, unmaturred interest on long-term debt is recognized in the period when it is incurred. 13,000

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 1,465,000

Change in Net Assets of Governmental Activities **\$ 3,749,330**

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2007**

	Associated Students Government Fund 47	Student Center Fund 66	Student Financial Aid Fund 48	Total
ASSETS				
Cash and cash equivalents	\$ 129,550	\$ 916	\$ 5,626	\$ 136,092
Investments	57,946	211,771	59,645	329,362
Accounts receivable, net	8,890	9,856	53,264	72,010
Due from other funds	-	7,488	-	7,488
Total Assets	\$ 196,386	\$ 230,031	\$ 118,535	\$ 544,952
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	485	371	118,535	119,391
Due to other funds	-	24,845	-	24,845
Deferred revenue	-	7,060	-	7,060
Due to student groups	195,901	197,755	-	393,656
Total Liabilities	\$ 196,386	\$ 230,031	\$ 118,535	\$ 544,952

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, 2007**

	Associated Students Trust	Student Center Fund	Student Financial Aid	Total
REVENUES				
Federal revenues	\$ -	\$ -	\$ 2,078,004	\$ 2,078,004
Local revenues	123,201	157,953	-	281,154
Total Revenues	<u>123,201</u>	<u>157,953</u>	<u>2,078,004</u>	<u>2,359,158</u>
EXPENDITURES				
Current Expenditures				
Classified salaries	-	36,711	-	36,711
Employee benefits	-	15,139	-	15,139
Services and operating expenditures	99,183	57,905	4,067	161,155
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	<u>99,183</u>	<u>109,755</u>	<u>4,067</u>	<u>213,005</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>24,018</u>	<u>48,198</u>	<u>2,073,937</u>	<u>2,146,153</u>
OTHER FINANCING SOURCES/(USES)				
Other uses	-	-	(2,073,937)	(2,073,937)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(2,073,937)</u>	<u>(2,073,937)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>24,018</u>	<u>48,198</u>	<u>-</u>	<u>72,216</u>
DUE TO STUDENT GROUPS, BEGINNING	<u>171,883</u>	<u>149,557</u>	<u>-</u>	<u>321,440</u>
DUE TO STUDENT GROUPS, ENDING	<u>\$ 195,901</u>	<u>\$ 197,755</u>	<u>\$ -</u>	<u>\$ 393,656</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

GENERAL FUND RESTRICTED

BALANCE SHEETS

JUNE 30, 2007

	Instructional Equipment Fund 24	Parking Fund 26	Restricted Fund 27	Total General Restricted Funds 24, 26, 27
ASSETS				
Investments	\$ 174,064	\$ 300,397	\$ 902,350	\$ 1,376,811
Accounts receivable, net	-	3,300	380,818	384,118
Prepaid expenses	-	-	23,327	23,327
Total Assets	<u>\$ 174,064</u>	<u>\$ 303,697</u>	<u>\$ 1,306,495</u>	<u>\$ 1,784,256</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	50,199	4,953	452,229	507,381
Deferred revenue	123,865	20,354	854,266	998,485
Total Liabilities	<u>174,064</u>	<u>25,307</u>	<u>1,306,495</u>	<u>1,505,866</u>
FUND EQUITY				
Fund Balances				
Unreserved				
Undesignated	-	278,390	-	278,390
Total Fund Equity	<u>-</u>	<u>278,390</u>	<u>-</u>	<u>278,390</u>
Total Liabilities and Fund Equity	<u>\$ 174,064</u>	<u>\$ 303,697</u>	<u>\$ 1,306,495</u>	<u>\$ 1,784,256</u>

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, 2007**

	Instructional Equipment Fund 24	Parking Fund 26	General Fund Restricted Fund 27	Total General Fund Restricted Funds 24, 26, 27
REVENUES				
Federal revenues	\$ -	\$ -	\$ 946,012	\$ 946,012
State revenues	248,330	-	3,215,399	3,463,729
Local revenues	-	169,330	981,024	1,150,354
Total Revenues	248,330	169,330	5,142,435	5,560,095
EXPENDITURES				
Current Expenditures				
Academic salaries	-	-	1,615,291	1,615,291
Classified salaries	-	89,218	1,918,030	2,007,248
Employee benefits	-	35,593	961,902	997,495
Books and supplies	101,742	5,930	291,105	398,777
Services and operating expenditures	-	24,203	705,722	729,925
Capital outlay	146,588	1,923	463,009	611,520
Total Expenditures	248,330	156,867	5,955,059	6,360,256
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	-	12,463	(812,624)	(800,161)
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	-	1,372,147	1,372,147
Operating transfers out	-	-	(29,886)	(29,886)
Other uses	-	-	(529,637)	(529,637)
Total Other Financing Sources/(Uses)	-	-	812,624	812,624
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	-	12,463	-	12,463
FUND BALANCE, BEGINNING OF YEAR	-	265,927	-	265,927
FUND BALANCE, END OF YEAR	\$ -	\$ 278,390	\$ -	\$ 278,390

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

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.