

**GAVILAN JOINT COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2008

FINANCIAL SECTION

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

SUPPLEMENTARY INFORMATION

District Organization	40
Schedule of Expenditures of Federal Awards	41
Schedule of Expenditures of State Awards	42
Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance	43
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements	44
Notes to Supplementary Information	45

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	49
Report on State Compliance	51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	54
Financial Statement Findings and Recommendations	55
Federal Awards Findings and Questioned Costs	55
State Awards Findings and Questioned Costs	55
Summary Schedule of Prior Audit Findings	55

ADDITIONAL SUPPLEMENTARY INFORMATION

Governmental Funds	
Balance Sheets	57
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	58
Statement of Revenues, Expenditures, and Changes in Fund Balance	59
Reconciliation of the Governmental Funds Changes in Fund Balances to the District-Wide Statement of Activities	60
Fiduciary Funds	
Balance Sheets	61
Statement of Changes in Due to Student Groups	62
General Fund Restricted	
Balance Sheets	63
Statement of Revenues, Expenditures, and Changes in Fund Balance	64
Note to Additional Supplementary Information	65

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 business-type activities of the Gavilan Joint Community College District (the District) as of and for the years ended June 30, 2008 and 2007, 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 business-type activities of the Gavilan Joint Community College District as of June 30, 2008 and 2007, 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 December 7, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 is important for 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 Governmental Accounting Standards Board. 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 57 through 65 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Vaurinek, Urine, Day & Co., LLP

Fresno, California
December 7, 2008

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

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of the Gavilan Joint Community College District (the District) as of June 30, 2008. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. 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 Gavilan Joint Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and No. 35, Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.



GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The fiscal year ending June 30, 2008, 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.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$26.8 million, \$23.9 million, and \$20.2 million for the fiscal years ended June 30, 2008, June 30, 2007, and June 30, 2006, respectively. Of this amount, \$1.5 million, \$2.8 million, and \$4.7 million were unrestricted as of June 30, 2008, 2007, and 2006, 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.

Table 1

(Amounts in thousands)	Governmental Activities for the Fiscal Year				
	2008	2007	Change	2006	Change
Current and other assets	\$ 65,717	\$ 28,717	\$ 37,000	\$ 35,857	\$ (7,140)
Capital assets	44,017	29,102	14,915	17,721	11,381
Total Assets	109,734	57,819	51,915	53,578	4,241
Current liabilities	8,064	8,059	5	5,573	2,486
Long-term obligations	74,835	25,845	48,990	27,840	(1,995)
Total Liabilities	82,899	33,904	48,995	33,413	491
Net assets					
Invested in capital assets, net of related debt	16,697	1,233	15,464	(14,136)	15,369
Restricted	8,677	19,865	(11,188)	29,638	(9,773)
Unrestricted	1,461	2,817	(1,356)	4,664	(1,847)
Total Net Assets	\$ 26,835	\$ 23,915	\$ 2,920	\$ 20,166	\$ 3,749

The \$1.5 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$1.5 million left.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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.

Table 2

(Amounts in thousands)	Governmental Activities for the Fiscal Year				
	2008	2007	Change	2006	Change
Revenues					
Operating revenues:					
Tuition and fees	\$ 1,648	\$ 1,727	\$ (79)	\$ 1,817	\$ (90)
Grants and contracts - Federal	3,656	3,054	602	3,054	-
Grants and contracts - State and local	4,045	3,817	228	2,604	1,213
Non-operating revenues:					
State apportionment	11,681	11,080	601	6,735	4,345
Property taxes	17,343	15,525	1,818	14,431	1,094
State taxes and other revenue	5,902	5,647	255	4,902	745
Other revenues	1,453	1,259	194	1,144	115
Total Revenues	45,728	42,109	3,619	34,687	7,422
Expenses					
Salaries	20,299	17,818	2,481	16,312	1,506
Employee benefits	6,670	5,861	809	5,295	566
Supplies, materials and other operating expenses and services	11,944	12,364	(420)	9,793	2,571
Depreciation	1,009	707	302	679	28
Other non-operating expenses	2,886	1,609	1,277	1,435	174
Total Expenses	42,808	38,359	3,172	33,514	4,845
Change in Net Assets	\$ 2,920	\$ 3,750	\$ 447	\$ 1,173	\$ 2,577

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 \$42.8 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$17.3 million because the cost was paid by those who benefited from the programs (\$1.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$7.7 million). We paid for the remaining "public benefit" portion of our governmental activities with other revenues, like interest and general entitlements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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:

Table 3

Year ended June 30, 2008

	Salaries	Employee Benefits ¹	Supplies, Materials, and Other Expenses & Services	Equipment, Maintenance and Repairs	Depreciation	Total
Instructional Activities	\$ 8,732,879	\$2,962,046	\$ 2,255,246	\$ 815,103	\$ -	\$ 14,765,274
Academic Support	3,520,651	1,140,455	876,230	168,798	-	5,706,134
Student Services	3,623,382	1,080,884	359,975	129,768	-	5,194,009
Plant Operations and Maintenance	848,011	354,452	3,555,960	1,375,254	-	6,133,677
Institutional Support Services	2,589,454	877,436	1,439,027	245,673	-	5,151,590
Community Services and Economic Development	718,853	174,486	310,624	5,634	-	1,209,597
Ancillary Services and Auxiliary Operations	265,526	79,899	75,314	43,012	-	463,751
Interest Expense on Debt	-	-	2,429,247	-	-	2,429,247
Physical Property and Related Acquisitions	-	-	744,429	450	-	744,879
Unallocated Depreciation	-	-	-	-	1,009,023	1,009,023
Total	\$20,298,756	\$6,669,658	\$ 12,046,052	\$ 2,783,692	\$ 1,009,023	\$42,807,181

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, 2008**

Table 4

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	3,688,996	2,412,022	-	6,990,921
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
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	\$ 10,734,008	\$ 3,239,635	\$ 707,292	\$38,366,691

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, 2008

Table 5

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
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.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$60.4 million, which is an increase of \$37.4 million from last year.

The primary reasons for these changes are:

1. Our General Fund increased by \$0.5 million.
2. Our Special Revenues Funds remained stable this year.
3. Our Debt Service Funds increased due to the contribution made to fund the General Obligations Bonds.
4. The Measure E Construction Fund increased by \$36.4 million due to the issuance of General Obligation Bonds to fund ongoing construction projects.

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 9, 2008.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

CAPITAL ASSEST AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had \$44.0 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 \$14.9 million, or 51 percent, from last year, predominately due to ongoing Measure E projects.

Table 6

(Amounts in thousands)	Fixed Assets for the Fiscal Year				
	2008	2007	Change	2006	Change
Land	\$ 351	\$ 351	\$ -	\$ 351	\$ -
Work in Progress	8,354	12,771	(4,417)	2,202	10,569
Land Improvements	866	866	-	830	36
Building and Improvements	43,438	23,531	19,907	22,270	1,261
Equipment and vehicles	3,554	3,121	433	2,897	224
Total	56,563	40,640	15,923	28,550	12,090
Less Accumulated Depreciation	(12,546)	(11,537)	(1,009)	(10,829)	(708)
Net Total	\$ 44,017	\$ 29,103	\$ 14,914	\$ 17,721	\$ 11,382

The District is in the construction phase for bond renovation projects. Many capital projects are planned to continue through the 2008-09 year.

Long-Term Obligations

At the end of this year, the District had \$75.8 million in bonds outstanding. The long-term obligations consisted of:

Table 7

(Amounts in thousands)	Debt for the Fiscal Year				
	2008	2007	Changes	2006	Changes
General obligation bonds	\$ 75,845	\$ 27,470	\$ 48,375	\$ 28,935	\$ (1,465)
Compensated absences	509	476	33	370	106
Total	\$ 76,354	\$ 27,946	\$ 48,408	\$ 29,305	\$ (1,359)

Other obligations include compensated absences payable. We present more detailed information regarding our long-term liabilities in Note 10 of the financial statements.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-08 ARE NOTED BELOW:

The most significant accomplishment of fiscal year 2007-2008 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 are being 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.gavilan.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 2008-09 year, the District Board and management used the following criteria for estimating unrestricted general fund revenues:

In fiscal year 2008-09 it is expected that Gavilan College's base revenue of \$27,100,000 million will increase from that of fiscal year 2007-08 by a net of approximately \$700,000. The 2008-09 adopted budget is based on \$700,000 in growth revenue and no COLA.

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, 2008 AND 2007

	June 30, 2008	June 30, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 156,142	\$ 156,092
Investments	3,099,148	2,533,374
Restricted investments	58,362,491	22,194,080
Accounts receivable, net	2,652,066	3,321,290
Student loans receivable, net	104,975	15,808
Prepaid expenses	963,833	462,045
Prepaid debt issuance costs	34,382	34,382
Total Current Assets	<u>65,373,037</u>	<u>28,717,071</u>
Noncurrent Assets:		
Prepaid debt issuance costs	344,422	378,804
Nondepreciable capital assets	8,705,220	13,122,288
Depreciable capital assets	47,857,814	27,517,080
Less: Accumulated depreciation	(12,545,763)	(11,536,740)
Total Noncurrent Assets	<u>44,361,693</u>	<u>29,481,432</u>
TOTAL ASSETS	<u>109,734,730</u>	<u>57,819,699</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	3,131,701	3,707,645
Accrued interest payable	1,654,419	570,860
Deferred revenue	1,222,033	1,286,062
Amounts held in custody on behalf of others	537,238	393,656
Long-term liabilities - current portion	1,519,336	2,101,238
Total Current Liabilities	<u>8,064,727</u>	<u>8,059,461</u>
Noncurrent Liabilities:		
Long-term liabilities - noncurrent portion	74,835,000	25,845,000
Total Noncurrent Liabilities	<u>74,835,000</u>	<u>25,845,000</u>
TOTAL LIABILITIES	<u>82,899,727</u>	<u>33,904,461</u>
NET ASSETS		
Invested in capital assets, net of related debt	16,696,742	1,232,628
Restricted for:		
Debt service	8,119,775	7,133,374
Capital projects	378,147	12,454,289
Educational programs	179,758	278,390
Unrestricted	1,460,581	2,816,557
Total Net Assets	<u>\$ 26,835,003</u>	<u>\$ 23,915,238</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, 2008 AND 2007**

	June 30, 2008	June 30, 2007
OPERATING REVENUES		
Tuition and Fees	\$ 2,872,972	\$ 2,943,060
Less: Scholarship discount and allowance	(1,224,562)	(1,216,396)
Net tuition and fees	<u>1,648,410</u>	<u>1,726,664</u>
Grants and Contracts, noncapital:		
Federal	3,656,443	3,054,153
State	3,248,796	3,215,399
Local	109,973	106,336
TOTAL OPERATING REVENUES	<u>8,663,622</u>	<u>8,102,552</u>
OPERATING EXPENSES		
Salaries	20,298,756	17,818,468
Employee benefits	6,669,659	5,861,238
Supplies, materials, and other operating expenses and services	11,943,571	12,364,634
Depreciation	1,009,023	707,292
TOTAL OPERATING EXPENSES	<u>39,921,009</u>	<u>36,751,632</u>
OPERATING LOSS	<u>(31,257,387)</u>	<u>(28,649,080)</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	11,680,835	11,080,449
Local property taxes, levied for general purposes	17,342,877	15,524,647
State taxes and other revenues	5,901,693	5,647,020
Investment income	1,452,671	1,258,293
Interest expense on capital related debt	(2,429,247)	(1,380,100)
Other non-operating expenses	(456,926)	(228,909)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>33,491,903</u>	<u>31,901,400</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	2,234,516	3,252,320
OTHER REVENUES AND EXPENSES		
State revenues, capital	338,296	446,658
Local revenues, capital	346,953	50,352
TOTAL OTHER REVENUES AND EXPENSES	<u>685,249</u>	<u>497,010</u>
CHANGE IN NET ASSETS	2,919,765	3,749,330
NET ASSETS, BEGINNING OF YEAR	<u>23,915,238</u>	<u>20,165,908</u>
NET ASSETS, END OF YEAR	<u>\$ 26,835,003</u>	<u>\$ 23,915,238</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, 2008 AND 2007

	June 30, 2008	June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,709,631	\$ 1,745,057
Non-capital grants and contracts	6,626,111	6,763,869
Local grants and contracts	143,582	-
Payments to suppliers	(13,069,769)	(12,006,548)
Payments to/(on behalf of) employees	(27,274,240)	(23,651,128)
Net Cash Used by Operating Activities	(31,864,685)	(27,148,750)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	12,658,477	9,897,431
Other nonoperating	(242,766)	(194,532)
Property taxes	13,491,457	12,522,201
State taxes and other apportionments	5,901,693	5,647,020
Net Cash Provided by Noncapital Financing Activities	31,808,861	30,874,566
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(16,164,025)	(10,818,886)
State revenue, capital projects	338,296	446,658
Local revenue, capital projects	346,953	50,352
Property tax collections for debt obligations	3,851,420	3,002,446
Deferred cost on issuance	34,382	-
Proceeds from issuance of General Obligation Bonds	50,000,000	-
Principal paid on capital debt	(1,625,000)	(1,465,000)
Interest paid on capital debt	(1,345,688)	(1,416,138)
Net Cash Provided by Capital Financing Activities	35,436,338	(13,203,014)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	1,353,721	1,279,222
NET CHANGE IN CASH AND CASH EQUIVALENTS	36,734,235	(8,197,976)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,883,546	33,081,522
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 61,617,781	\$ 24,883,546

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS, *Continued* FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating loss	\$ (31,257,387)	\$ (28,649,080)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,009,023	707,292
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivables	(239,338)	(1,032,077)
(Increase)/decrease in prepaids and deferred issuance costs	(880,592)	(25,513)
Increase/(decrease) in accounts payable and accrued liabilities	(575,944)	1,502,047
Increase/(decrease) in deferred revenue	(64,029)	276,362
Increase in funds held for others	143,582	72,219
Total Adjustments	<u>(607,298)</u>	<u>1,500,330</u>
Net Cash Flows From Operating Activities	<u>\$ (31,864,685)</u>	<u>\$ (27,148,750)</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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 three components used to determine the presentation are: providing a "direct benefit"; the "environment and ability to access/influence reporting," and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government and the District.

The following entities do not meet the criteria for inclusion as component units of the District.

Public Entity Risk Pools The District is associated with two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 15 to the financial statements. These organizations are:

Bay Area Community College District (BACCD)
Northern California Community College Pool (NCCCP)

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, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. 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 material intra-agency and intra-fund transactions have been eliminated.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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.

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 System's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected apply FASB pronouncements after that date. 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 System'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. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Investments

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

Accounts Receivable

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

Prepaid Expenses

Prepaid 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, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost 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 to buildings and land that significantly increase the value or extend the useful life of the asset 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 construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings 25 to 50 years; improvements, 20 to 50 years; equipment, 5 to 20 years; vehicles, 5 to 10 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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.

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. The District has no nonexpendable net assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designed for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for educational and general operations of the District.

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

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statement No. 35. Classifications are as follows:

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 California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$484,783 for CalSTRS. No contribution for CalPERS was made.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Estimates

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

Property Taxes

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.

The voters of the District passed a General Obligation Bond in 2004 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected. The property tax rate for the year ended June 30, 2007, was \$0.0121 per \$100 of assessed property valuation.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

New Accounting Pronouncements

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 retirement systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District is not a plan sponsor of an OPEB Plan.

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

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 will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASB Statement No. 47 is encouraged.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to those intangible assets, as applicable. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as Phase 1 or Phase 2 governments for the purpose of implementing Statement No 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 3 - CASH AND INVESTMENTS

Policies and Practices

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

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

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2008 AND 2007

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008 and 2007, are classified in the accompanying financial statements as follows:

	2008	2007
Governmental activities	\$ 61,072,600	\$ 24,418,093
Fiduciary funds	545,181	465,453
Total Deposits and Investments	<u>\$ 61,617,781</u>	<u>\$ 24,883,546</u>

Deposits and investments as of June 30, 2008 and 2007, consist of the following:

	2008	2007
Cash on hand and in banks	\$ 144,442	\$ 1,020,298
Cash in revolving	11,700	11,700
Investments	61,461,639	23,851,548
Total Deposits and Investments	<u>\$ 61,617,781</u>	<u>\$ 24,883,546</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedules that show the distribution of the District's investments by maturity as of June 30, 2008 and 2007:

June 30, 2008

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Mutual Funds	\$ 4,729,429	\$ 4,729,429	\$ -	\$ -	\$ -
County Pool	56,732,210	56,732,210	-	-	-
Total	<u>\$ 61,461,639</u>	<u>\$ 61,461,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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>

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, 2008

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
Mutual Funds	\$ 4,729,429	N/A			\$ 4,729,429
County Pool	56,732,210	N/A	-	-	56,732,210
Total	<u>\$ 61,461,639</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,461,639</u>

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>

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:

June 30, 2008

Issuer	Investment Type	Reported Amount
Union Bank of California	Mutual Funds	<u>\$ 4,729,429</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

June 30, 2007

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, 2008, \$87,885 of the District's bank balances of \$237,492 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.

NOTE 4 - ACCOUNTS RECEIVABLES

Receivables at June 30, 2008 and 2007, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Federal Government		
Categorical aid	\$ 223,020	\$ 147,047
State Government		
Apportionment	786,885	1,764,527
Categorical aid	101,457	27,823
Lottery	281,779	379,959
Other state sources	131,120	34,077
Local Government		
Interest	501,849	279,205
Student receivables	104,975	15,808
Other local sources	625,956	688,652
Total	<u>\$ 2,757,041</u>	<u>\$ 3,337,098</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, 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	12,771,479	15,375,891	19,792,959	8,354,411
Total Capital Assets Not Being Depreciated	<u>13,122,288</u>	<u>15,375,891</u>	<u>19,792,959</u>	<u>8,705,220</u>
Capital Assets Being Depreciated				
Land improvements	865,502	-	-	865,502
Buildings and improvements	23,530,745	19,906,856	-	43,437,601
Furniture and equipment	2,907,229	382,051	-	3,289,280
Vehicles	213,604	51,827	-	265,431
Total Capital Assets Being Depreciated	<u>27,517,080</u>	<u>20,340,734</u>	<u>-</u>	<u>47,857,814</u>
Total Capital Assets	<u>40,639,368</u>	<u>35,716,625</u>	<u>19,792,959</u>	<u>56,563,034</u>
Less Accumulated Depreciation				
Land improvements	567,268	39,868	-	607,136
Buildings and improvements	8,812,687	713,804	-	9,526,491
Furniture and equipment	1,976,150	243,269	-	2,219,419
Vehicles	180,635	12,082	-	192,717
Total Accumulated Depreciation	<u>11,536,740</u>	<u>1,009,023</u>	<u>-</u>	<u>12,545,763</u>
Net Capital Assets	<u>\$ 29,102,628</u>	<u>\$ 34,707,602</u>	<u>\$ 19,792,959</u>	<u>\$ 44,017,271</u>

Depreciation expense for the year was \$1,009,023.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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.

NOTE 6 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenditures at June 30, 2008 and 2007, consisted of the following:

	June 30, 2008	June 30, 2007
Prepaid debt issuance costs - unamortized	\$ 378,804	\$ 413,186
Escrow deposit on land purchase	900,000	-
Other	63,833	83,241
Total	<u>\$ 1,342,637</u>	<u>\$ 496,427</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008 and 2007, consisted of the following:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Salaries and benefits	\$ 184,802	\$ 523,725
Apportionment	29,340	146,005
Accrued interest	1,654,419	570,860
Vendor	2,917,559	3,037,915
Total	<u>\$ 4,786,120</u>	<u>\$ 4,278,505</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2008 and 2007, consisted of the following:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
State categorical aid	\$ 646,596	\$ 752,525
Federal categorical aid	-	19,321
Deferred enrollment	326,083	255,296
Deferred foreign tuition	22,540	8,927
Deferred parking	25,020	20,354
Deferred kids	22,034	34,577
Deferred health	45,750	29,317
Deferred STAR	41,487	36,462
Other local	92,523	129,283
Total	<u>\$ 1,222,033</u>	<u>\$ 1,286,062</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivables and payables consist of amounts due from one fund to another for loan repayments or reimbursements of costs. Interfund receivable and payable balances at June 30, 2008, have been eliminated in the consolidation process.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations for the fiscal year ended June 30, 2008, consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bond -2004A	\$27,470,000	\$ -	\$ 1,625,000	\$25,845,000	\$ 135,000
General obligation bond -2004C	-	50,000,000	-	50,000,000	875,000
Total Bonds Payable	<u>27,470,000</u>	<u>50,000,000</u>	<u>1,625,000</u>	<u>75,845,000</u>	<u>1,010,000</u>
Other Liabilities					
Compensated absences	476,238	509,336	476,238	509,336	509,336
Total Other Liabilities	<u>476,238</u>	<u>509,336</u>	<u>476,238</u>	<u>509,336</u>	<u>509,336</u>
 Total Long-Term Obligations	 <u>\$27,946,238</u>	 <u>\$50,509,336</u>	 <u>\$2,101,238</u>	 <u>\$76,354,336</u>	 <u>\$1,519,336</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, 2008, \$80,000,000 had been issued and \$75,845,000 was outstanding. Interest rates on the bonds are from 2.00 - 5.00 percent for the 2004, Series A bonds and 3.03 - 4.66 percent for the 2004, Series C bonds issued during the 2007-08 fiscal year.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Debt Maturity

2004, Series A

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	415,000	1,289,175	1,704,175
2014-2018	3,485,000	6,118,644	9,603,644
2019-2023	6,635,000	5,006,901	11,641,901
2024-2028	11,355,000	2,802,425	14,157,425
2029	3,025,000	166,375	3,191,375
Total	<u>\$ 25,845,000</u>	<u>\$ 20,634,515</u>	<u>\$ 46,479,515</u>

2004, Series C

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 875,000	\$ 1,300,271	\$ 2,175,271
2010	105,000	2,293,844	2,398,844
2011	170,000	2,289,644	2,459,644
2012	225,000	2,282,844	2,507,844
2013	300,000	2,273,844	2,573,844
2014-2018	2,840,000	11,120,020	13,960,020
2019-2023	5,715,000	10,296,870	16,011,870
2024-2028	9,725,000	8,568,320	18,293,320
2029-2033	30,045,000	4,829,321	34,874,321
Total	<u>\$ 50,000,000</u>	<u>\$ 45,254,978</u>	<u>\$ 95,254,978</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$509,336.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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 \$27,470,000 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, 2008 AND 2007

Accumulated Unpaid Employee Vacation

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

NOTE 11 - 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 California Public Employees' Retirement System (CalPERS) 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 California State Teachers' Retirement System (CalSTRS) 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 2007-2008 fiscal year, the District provided insurance premium benefits to 63 retired employees with total expenditures of \$540,365. The District will be implementing provisions of GASB Statement No. 45 during the 2008-2009 fiscal year.

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 \$4,789,609 into an irrevocable trust for the sole purpose of funding the future postemployment benefits obligation.

NOTE 12 - 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, 2008, the District contracted with the Bay Area Community College District (BACCD) public risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Workers' Compensation

For fiscal year 2008, 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 13 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active members are required to contribute eight percent of their salary while 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$885,423, \$773,797, and \$685,110, respectively, and equal 100 percent of the required contributions for each year.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 95811.

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 District's contribution rate to CalPERS for fiscal year 2007-2008 was 9.306 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007, and 2006, were \$669,155, \$602,494, and \$565,359, respectively, and equaled 100 percent of the required contributions for each year.

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 (CalSTRS or CalPERS) 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.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$484,783 (4.517 percent) of salaries subject to CalSTRS. A contribution to CalPERS was not required for the year ended June 30, 2008. 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, 2008 AND 2007

NOTE 14 - 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, 2008.

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, 2008.

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, 2008, amounted to approximately \$350,000.

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECTS		
Science Buildings Modernization	<u>\$ 733,165</u>	10/31/08
Phase 2 Site Improvements	<u>\$ 150,500</u>	10/31/08

NOTE 15 - 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.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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

The District has appointed no members to the Governing Board of BACCD and NCCCP.

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

During the year ended June 30, 2008, the District made payments of \$143,333 and \$388,488 to BACCD and NCCCP, respectively.

SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2008

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. The District's college is accredited by the Western Association of Schools and Junior Colleges.

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
Andrew Williams	Student Trustee	2008

ADMINISTRATION

Dr. Steven Kinsella	Superintendent/President
Dr. Victor Krimsley	Interim 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	Dean of Physical Education and Athletics
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 Zingsheim	Director, Human Resources

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Entitlements	
		Current Year	Prior Year
U.S. DEPARTMENT OF EDUCATION			
High Education - TRIO Staff Training Program	84.042A	\$ 223,388	\$ 69
Student Financial Aid Cluster:			
Pell Grant	84.063	2,751,206	-
Federal Work Study Program	84.033	91,587	
Academic Competitiveness Grant	84.375	15,739	-
FSEOG	84.007	35,202	-
Subtotal Student Financial Aid Cluster		<u>2,893,734</u>	<u>-</u>
Passed through Hartnell Community College:			
Title V	84.031S	323,116	19,321
Passed through California Department of Education (CDE):			
Vocational and Applied Technology	84.048	76,648	-
Title I, Part C - Migrant Education	84.011	127,467	
Disability Resource Center - Workability II	84.158	190,000	
Subtotal U.S. Department of Education		<u>3,834,353</u>	<u>19,390</u>
U.S. DEPARTMENT AGRICULTURE			
Passed through California Department of Education (CDE):			
Child and Adult Care Food Program	10.558	35,600	-
Total Expenditures of Federal Awards		<u>\$3,869,953</u>	<u>\$ 19,390</u>

See accompanying note to supplementary information.

Entitlements	Program Revenues			
Total Entitlement	Cash Received	Accounts Receivable	Total Revenue	Program Expenditures
\$ 223,457	\$ 206,956	\$ 16,501	\$ 223,457	\$ 223,457
2,751,206	2,713,926	37,280	2,751,206	2,751,206
91,587	62,018	12,170	74,188	74,188
15,739	15,689	-	15,689	15,689
35,202	12,600	1,600	14,200	14,200
<u>2,893,734</u>	<u>2,804,233</u>	<u>51,050</u>	<u>2,855,283</u>	<u>2,855,283</u>
342,437	79,069	73,380	152,449	152,449
76,648	50,147	26,501	76,648	76,648
127,467	93,248	34,219	127,467	127,467
190,000	168,631	21,369	190,000	190,000
<u>3,853,743</u>	<u>3,402,284</u>	<u>223,020</u>	<u>3,625,304</u>	<u>3,625,304</u>
35,600	31,139	-	31,139	31,139
<u>\$ 3,889,343</u>	<u>\$ 3,433,423</u>	<u>\$ 223,020</u>	<u>\$ 3,656,443</u>	<u>\$ 3,656,443</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
TANF	\$ 24,832	\$ -	\$ 24,832
Financial Aid - BFAP	206,643	6,024	212,667
EOPS	560,662	-	560,662
CARE	183,154	-	183,154
DSPS	715,790	-	715,790
Cal Works	182,145	-	182,145
Matriculation - Credit	460,546	-	460,546
Matriculation - Non Credit	28,460	64,319	92,779
Matriculation - Non Credit Carryover	-	32,578	32,578
Nurse Workforce Initiative	-	2,500	2,500
Staff Diversity	12,581	-	12,581
SBDC	205,000	22,724	227,724
HRDAC	-	21,713	21,713
Instructional Equipment Ongoing	100,000	9,437	109,437
One-Time Instructional Equipment	-	88,533	88,533
One-Time Career Technical	-	108,612	108,612
One-Time Basic Skills	-	101,691	101,691
Basic Skills 07/08	110,635	-	110,635
Basic Skills 06/07	-	131,004	131,004
Articulation	5,000	-	5,000
Cal Grant B & C	266,108	-	266,108
California High School Exit Exam	92,316	53,924	146,240
MESA	81,500	4,392	85,892
TTIP- Telecommunications Library	36,697	25,896	62,593
TTIP- TCO Access	19,415	-	19,415
Theater Remodel-Scheduled Maintenance	100,000	-	100,000
Hollister Floor Carpeting	75,000	-	75,000
Rural Opportunities Studies	41,666	-	41,666
General Child Care	257,237	-	257,237
CDC Preschool Grant	86,550	-	86,550
Capacity Grant-RN	179,525	53,581	233,106
Disability Resource Center Carryover	-	61,258	61,258
Total State Programs	<u>\$ 4,031,462</u>	<u>\$ 788,186</u>	<u>\$ 4,819,648</u>

See accompanying note to supplementary information.

Program Revenues					Total
Cash	Accounts	Deferred	Accounts	Total	Program
Received	Receivable	Revenue	Payable	Revenue	Expenditures
\$ 24,832	\$ -	\$ -	\$ -	\$ 24,832	\$ 24,832
212,667	-	-	-	212,667	212,667
560,662	-	-	-	560,662	560,662
183,154	-	-	-	183,154	183,154
656,390	-	-	2,524	653,866	1,909,855
182,145	-	-	-	182,145	182,145
460,546	-	167,292	-	293,254	293,254
92,779	-	-	-	92,779	92,779
-	32,578	30,915	-	1,663	1,663
2,500	-	1,907	-	593	528
12,581	-	-	-	12,581	12,581
179,384	-	-	-	179,384	196,484
20,008	-	14,671	-	5,337	5,337
109,437	-	-	-	109,437	86,272
88,533	-	-	-	88,533	32,435
108,612	-	-	-	108,612	108,612
101,691	-	-	-	101,691	101,691
110,635	-	108,284	-	2,351	2,351
130,804	-	111,677	-	19,127	19,127
5,000	-	-	-	5,000	5,000
259,585	-	12,156	-	247,429	247,429
146,240	-	73,251	-	72,989	72,989
85,521	-	11,571	-	73,950	73,950
51,664	-	-	-	51,664	36,647
19,415	-	-	-	19,415	-
100,000	-	-	-	100,000	255,600
75,000	-	-	-	75,000	14,800
27,815	13,851	-	-	41,666	41,666
186,386	49,155	-	-	235,541	235,541
80,089	5,873	-	-	85,962	85,962
233,106	-	114,872	-	118,234	118,234
54,895	-	-	-	54,895	54,895
<u>\$ 4,562,076</u>	<u>\$ 101,457</u>	<u>\$ 646,596</u>	<u>\$ 2,524</u>	<u>\$ 4,014,413</u>	<u>\$ 5,269,142</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2008**

CATEGORIES	Annual Reported Data *	Audit Adjustments	Audited Data
A. Summer Intersession - 2007 Only			
1. Noncredit	117.14	-	117.14
2. Credit	68.42	-	68.42
B. Summer Intersession - 2008			
1. Noncredit	-	-	-
2. Credit	228.64	-	228.64
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,305.02	-	3,305.02
(b) Daily Census Contact Hours	126.49	-	126.49
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	550.97	-	550.97
(b) Credit	801.83	-	801.83
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4.66	-	4.66
(b) Daily Census Contact Hours	192.18	-	192.18
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	5,395.35	-	5,395.35
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	27.35	-	27.35
2. Credit	481.78	-	481.78
	509.13	-	509.13

* Residents and Non-residents

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**

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

	Measure E Capital Projects	Other Debt Service Retiree Benefits
FUND BALANCE		
Balance, June 30, 2008, (CCFS-311)	\$ 48,343,733	\$ 5,301,532
Increase/(decrease) in:		
Cash in county treasury	321,204	-
Investments	-	(540,979)
(Increase)/decrease in:		
Accounts payable	(484,888)	-
Balance, June 30, 2008		
Audited Financial Statement	<u>\$ 48,180,049</u>	<u>\$ 4,760,553</u>

See accompanying note to supplementary information.

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2008

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



**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 the business-type activities of the Gavilan Joint Community College District (the District) for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 7, 2008. 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, Audit Committee, District Management, the California Community Colleges System'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.

Vaukenek, Ukire, Day & Co., LLP

Fresno, California
December 7, 2008



**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, 2008. 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, 2008.

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, Audit Committee, District Management, the California Community Colleges System'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.

Vautour, O'Keefe, Day & Co., LLP

Fresno, California
December 7, 2008



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, 2008 and 2007, and have issued our report thereon dated December 7, 2008.

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 District Audit Manual (CDAM)*.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

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.

In our opinion, the Gavilan Joint Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

This report is intended solely for the information of the Board of Trustees, Audit Committee, District Management, the California Community Colleges System'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.

Vavrinek, Utkin, Day & Co., LLP

Fresno, California
December 7, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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>
84.033, 84.063, 84.007, and 84.375	Student Financial Aid Cluster

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, 2008**

FINANCIAL STATEMENT FINDINGS

None noted.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

STATE AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

There were no audit findings reported in the prior year's schedules of Financial Statement Findings, Federal Award Findings and Questioned Costs, or State Award Findings and Questioned Costs.

ADDITIONAL SUPPLEMENTARY INFORMATION

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEETS

JUNE 30, 2008

	General Unrestricted Fund 10	General Restricted Funds 24, 26, 27	Child Development Fund 72
ASSETS			
Cash and cash equivalents	\$ 20,000	\$ -	\$ -
Investments	2,690,109	739,746	(71,531)
Accounts receivable, net	1,374,220	430,471	92,307
Student loans receivable, net	90,197	-	-
Due from other funds	515,581	-	33,324
Prepaid expenses	56,457	7,376	-
Total Assets	\$ 4,746,564	\$ 1,177,593	\$ 54,100
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 631,998	\$ 156,781	\$ 5,879
Due to other funds	150,857	3,390	48,221
Deferred revenue	373,755	837,664	-
Total Liabilities	1,156,610	997,835	54,100
FUND EQUITY			
Fund Balances			
Unreserved			
Designated	20,000	-	-
Undesignated	3,569,954	179,758	-
Total Fund Equity	3,589,954	179,758	-
Total Liabilities and Fund Equity	\$ 4,746,564	\$ 1,177,593	\$ 54,100

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
3,316,261	4,760,553	141,492	(16,299)	49,492,269	61,052,600
42,961	-	164,972	-	443,532	2,548,463
-	-	-	-	-	90,197
-	-	90,088	26,817	197	666,007
-	-	-	-	900,000	963,833
<u>\$ 3,359,222</u>	<u>\$ 4,760,553</u>	<u>\$ 396,552</u>	<u>\$ 10,518</u>	<u>\$ 50,835,998</u>	<u>\$ 65,341,100</u>
\$ -	\$ -	\$ 8,169	\$ 3,815	\$ 2,220,410	\$ 3,027,052
-	-	10,229	6,710	435,539	654,946
-	-	-	-	-	1,211,419
-	-	18,398	10,525	2,655,949	4,893,417
-	-	-	-	-	20,000
3,359,222	4,760,553	378,154	(7)	48,180,049	60,427,683
<u>3,359,222</u>	<u>4,760,553</u>	<u>378,154</u>	<u>(7)</u>	<u>48,180,049</u>	<u>60,447,683</u>
<u>\$ 3,359,222</u>	<u>\$ 4,760,553</u>	<u>\$ 396,552</u>	<u>\$ 10,518</u>	<u>\$ 50,835,998</u>	<u>\$ 65,341,100</u>

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

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

Total Fund Balance - All District Funds	\$ 60,447,683
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	\$ 56,563,034
Accumulated depreciation is	<u>(12,545,763)</u> 44,017,271
Expenditures relating to issuance of debt are not recognized in modified accrual basis, but should be recognized in the accrual basis as prepaid expenditures.	378,804
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.	(1,654,419)
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	75,845,000
Compensated absences (vacations)	<u>509,336</u> (76,354,336)
Total Net Assets	<u><u>\$ 26,835,003</u></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, 2008**

	General Fund Unrestricted Fund 10	General Fund Restricted Funds 24, 26, 27	Child Development Fund 72
REVENUES			
Federal revenues	\$ -	\$ 844,209	\$ 31,139
State revenues	13,193,143	3,517,844	325,153
Local revenues	16,277,735	1,346,640	271,176
Total Revenues	<u>29,470,878</u>	<u>5,708,693</u>	<u>627,468</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	10,561,130	1,793,783	-
Classified salaries	5,176,230	2,102,880	545,246
Employee benefits	5,345,319	1,072,421	219,067
Books and supplies	630,488	510,185	26,564
Services and operating expenditures	5,031,247	780,634	6,080
Capital outlay	313,182	501,329	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>27,057,596</u>	<u>6,761,232</u>	<u>796,957</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>2,413,282</u>	<u>(1,052,539)</u>	<u>(169,489)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	1,590,518	169,489
Operating transfers out	(1,873,801)	(253,111)	-
Other sources	-	-	-
Other uses	-	(383,500)	-
Total Other Financing Sources/(Uses)	<u>(1,873,801)</u>	<u>953,907</u>	<u>169,489</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	539,481	(98,632)	-
FUND BALANCE, BEGINNING OF YEAR	3,050,473	278,390	-
FUND BALANCE, END OF YEAR	<u>\$ 3,589,954</u>	<u>\$ 179,758</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 875,348
18,676	-	338,296	-	-	17,393,112
3,851,420	641,010	11,451	1,355	1,602,769	24,003,556
<u>3,870,096</u>	<u>641,010</u>	<u>349,747</u>	<u>1,355</u>	<u>1,602,769</u>	<u>42,272,016</u>
-	-	-	-	-	12,354,913
-	-	-	-	47,924	7,872,280
-	-	-	-	17,797	6,654,604
-	-	-	-	2,934	1,170,171
550	553,467	658,569	85,861	14,037,648	21,154,056
-	-	450	-	1,365,687	2,180,648
1,625,000	-	-	-	-	1,625,000
1,345,688	-	-	-	-	1,345,688
<u>2,971,238</u>	<u>553,467</u>	<u>659,019</u>	<u>85,861</u>	<u>15,471,990</u>	<u>54,357,360</u>
<u>898,858</u>	<u>87,543</u>	<u>(309,272)</u>	<u>(84,506)</u>	<u>(13,869,221)</u>	<u>(12,085,344)</u>
-	-	90,088	26,817	250,000	2,126,912
-	-	-	-	-	(2,126,912)
-	-	-	-	50,000,000	50,000,000
-	-	-	-	-	(383,500)
<u>-</u>	<u>-</u>	<u>90,088</u>	<u>26,817</u>	<u>50,250,000</u>	<u>49,616,500</u>
898,858	87,543	(219,184)	(57,689)	36,380,779	37,531,156
2,460,364	4,673,010	597,338	57,682	11,799,270	22,916,527
<u>\$ 3,359,222</u>	<u>\$ 4,760,553</u>	<u>\$ 378,154</u>	<u>\$ (7)</u>	<u>\$ 48,180,049</u>	<u>\$ 60,447,683</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, 2008**

Total Net Change in Fund Balances - Governmental Funds **\$ 37,531,156**
**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	\$(1,009,023)	
Capital outlays	15,923,666	14,914,643

Bond issuance costs are recognized in the governmental funds when debt is issued, however they are recorded as other assets 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. (33,098)

Proceeds received from Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities. (50,000,000)

Unmatured interest on long-term obligations are recognized in the period when it is due in governmental fund. On the governmental-wide statements, unmaturred interest on long-term obligations are recognized in the period when it is incurred. (1,083,554)

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. 1,625,000

Change in Net Assets of Governmental Activities		<u><u>\$ 2,919,765</u></u>
--	--	----------------------------

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2008**

	Associated Students Government Fund 47	Student Center Fund 66	Student Financial Aid Fund 48	Total
ASSETS				
Cash and cash equivalents	\$ 132,315	\$ 960	\$ 2,867	\$ 136,142
Investments	82,310	282,896	43,833	409,039
Accounts receivable, net	606	63,968	39,029	103,603
Student loans receivable, net	-	-	14,778	14,778
Due from other funds	-	3,542	-	3,542
Total Assets	\$ 215,231	\$ 351,366	\$ 100,507	\$ 667,104
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	27	4,115	100,507	104,649
Due to other funds	-	14,603	-	14,603
Deferred revenue	-	10,614	-	10,614
Due to student groups	215,204	322,034	-	537,238
Total Liabilities	\$ 215,231	\$ 351,366	\$ 100,507	\$ 667,104

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, 2008**

	<u>Associated Students Trust</u>	<u>Student Center Fund</u>	<u>Student Financial Aid</u>	<u>Total</u>
REVENUES				
Federal revenues	\$ -	\$ -	\$ 2,781,095	\$ 2,781,095
Local revenues	120,272	240,215	-	360,487
Total Revenues	<u>120,272</u>	<u>240,215</u>	<u>2,781,095</u>	<u>3,141,582</u>
EXPENDITURES				
Current Expenditures				
Classified salaries	-	38,465	-	38,465
Employee benefits	-	15,055	-	15,055
Services and operating expenditures	92,019	56,948	5,540	154,507
Capital outlay	8,951	5,467	-	14,418
Total Expenditures	<u>100,970</u>	<u>115,935</u>	<u>5,540</u>	<u>222,445</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>19,302</u>	<u>124,280</u>	<u>2,775,555</u>	<u>2,919,137</u>
OTHER FINANCING SOURCES/(USES)				
Other uses	-	-	(2,775,555)	(2,775,555)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(2,775,555)</u>	<u>(2,775,555)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	19,302	124,280	-	143,582
DUE TO STUDENT GROUPS, BEGINNING	195,902	197,754	-	393,656
DUE TO STUDENT GROUPS, ENDING	<u>\$ 215,204</u>	<u>\$ 322,034</u>	<u>\$ -</u>	<u>\$ 537,238</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

**GENERAL FUND RESTRICTED
BALANCE SHEETS
JUNE 30, 2008**

	Instructional Equipment Fund 24	Parking Fund 26	Restricted Fund 27	Total General Restricted Funds 24, 26, 27
ASSETS				
Investments	\$ 124,351	\$ 78,041	\$ 537,354	\$ 739,746
Accounts receivable, net	-	5,766	424,705	430,471
Prepaid expenses	-	-	7,376	7,376
Total Assets	\$ 124,351	\$ 83,807	\$ 969,435	\$ 1,177,593
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	657	2,723	153,401	156,781
Due to other funds	-	-	3,390	3,390
Deferred revenue	-	25,020	812,644	837,664
Total Liabilities	657	27,743	969,435	997,835
FUND EQUITY				
Fund Balances				
Unreserved				
Undesignated	123,694	56,064	-	179,758
Total Fund Equity	123,694	56,064	-	179,758
Total Liabilities and Fund Equity	\$ 124,351	\$ 83,807	\$ 969,435	\$ 1,177,593

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, 2008**

	Instructional Equipment Fund 24	Parking Fund 26	General Fund Restricted Fund 27	Total General Fund Restricted Funds 24, 26, 27
REVENUES				
Federal revenues	\$ -	\$ -	\$ 844,209	\$ 844,209
State revenues	269,048	-	3,248,796	3,517,844
Local revenues	10,000	181,105	1,155,535	1,346,640
Total Revenues	<u>279,048</u>	<u>181,105</u>	<u>5,248,540</u>	<u>5,708,693</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	-	-	1,793,783	1,793,783
Classified salaries	-	87,122	2,015,758	2,102,880
Employee benefits	-	35,519	1,036,902	1,072,421
Books and supplies	39,169	4,197	466,819	510,185
Services and operating expenditures	-	21,580	759,054	780,634
Capital outlay	116,185	5,013	380,131	501,329
Total Expenditures	<u>155,354</u>	<u>153,431</u>	<u>6,452,447</u>	<u>6,761,232</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>123,694</u>	<u>27,674</u>	<u>(1,203,907)</u>	<u>(1,052,539)</u>
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	-	1,590,518	1,590,518
Operating transfers out	-	(250,000)	(3,111)	(253,111)
Other uses	-	-	(383,500)	(383,500)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>(250,000)</u>	<u>1,203,907</u>	<u>953,907</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>123,694</u>	<u>(222,326)</u>	<u>-</u>	<u>(98,632)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>278,390</u>	<u>-</u>	<u>278,390</u>
FUND BALANCE, END OF YEAR	<u>\$ 123,694</u>	<u>\$ 56,064</u>	<u>\$ -</u>	<u>\$ 179,758</u>

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

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2008

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.