Financial Statements
June 30, 2023

Gavilan Joint Community College District

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the remaining fund information of Gavilan Joint Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of Gavilan Joint Community College District (the District), as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 and other required supplementary schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS

Gavilan Joint Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) 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 government-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 position 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 liabilities. The statement of revenues, expenses, and changes in net position 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.

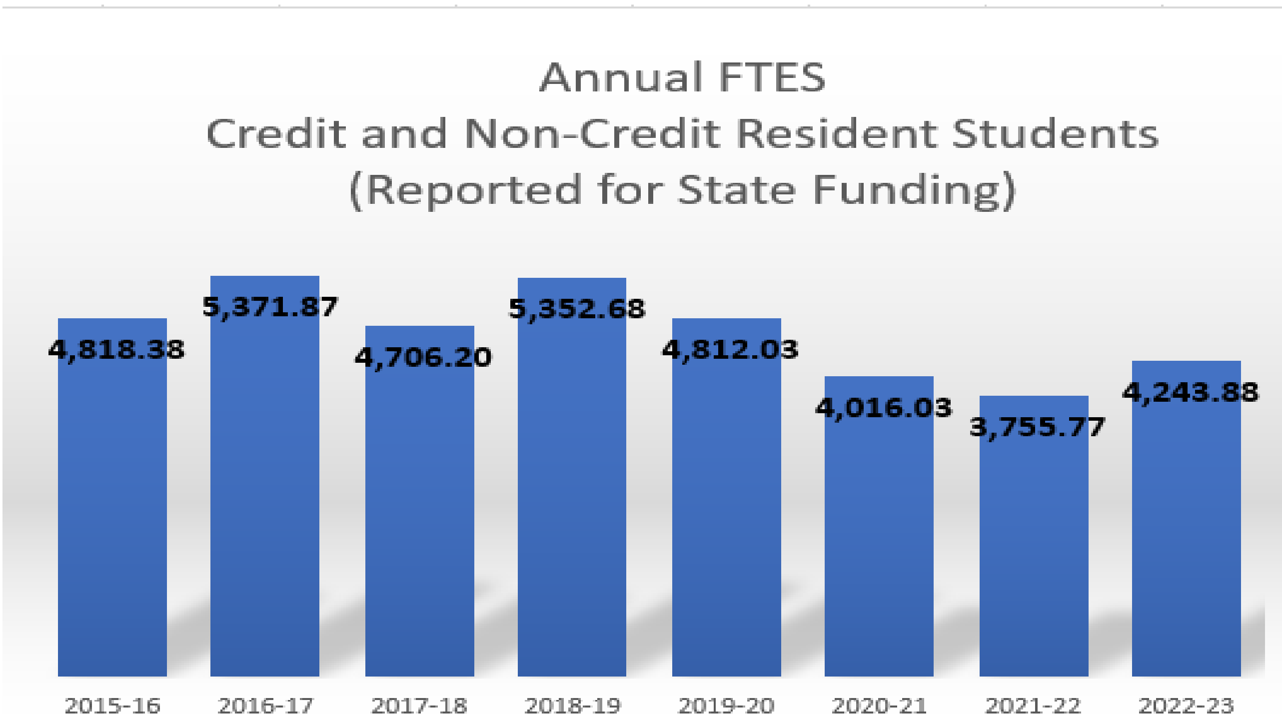
The California Community Colleges Chancellor's Office has recommended that all state community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL AND ATTENDANCE HIGHLIGHTS

The discussion and analysis of the Gavilan Joint Community College District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2023, including comparative information for the year ended June 30, 2022. The intent of the "Management Discussion and Analysis" is to look at the district's financial performance. To provide a complete understanding of the district's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 16 and the notes to the basic financial statements beginning on page 22. Responsibility for the completeness and accuracy of this information rests with District Management.

The District was originally established in 1919 as San Benito County Junior College. It operated under this title until 1963, when a new community college district was formed that included both San Benito and southern Santa Clara Counties. Successful passage of a local bond in 1966 provided the needed funds to construct the present campus at Santa Teresa Boulevard and Castro Valley Road in Gilroy, California. In 2004, a GO bond for $108 million was passed to allow for modernization and the purchase of land in Coyote Valley and San Benito County. In 2018, another GO bond was passed for $248 million that will provide a new campus footprint in San Benito County and several building projects on the Gilroy campus. In the fall of 2019, Gavilan College celebrated its 100th year of operation as a community college. However, due to the pandemic and mandatory quarantine in 2020, the college has been operating primarily in a remote environment.

The District's primary funding source is apportionment received from the State of California through the Student Centered Funding Formula (SCFF). Apportionment funding through the SCFF is based on 70% for Full-Time Equivalent Students (FTES), 20% for Supplemental metrics, and 10% for Student Success metrics. During the 2022-23 fiscal year, total reported resident FTES were 4,234 as compared to 3,756 in the 2021-22 fiscal year. During the fiscal year 2022/23, the District remained dedicated to its mission of providing accessible and affordable education to our community. With the use of COVID Block Grant, the District waived fees for tuition, health fees, parking fees and all other material fees for all students. This decision aimed at reducing financial burdens on students and increasing their access to educational opportunities. This aligns with its core values and goals, fostering a more inclusive and supportive learning environment. See below chart for a historical perspective on the changes in FTES over the past 8 fiscal years.



THE DISTRICT AS A WHOLE

The Annual Report consists of three basic financial statements that provide information on the District as a whole and will be discussed below:

THE DISTRICT AS A WHOLE

Statement of Net Position

The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the statement of net position provides a picture of the net position and its availability for expenditure by the District.

The difference between total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The net position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net position; this net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

The statement of net position as of June 30, 2023 and 2022, is summarized below:

Table 1

	2023	2022, as restated	Change
Assets			
Cash and investments	$ 155,049,934	$ 141,215,808	$ 13,834,126
Receivables, net	10,664,449	5,247,652	5,416,797
Other current assets	27,364	75,494	(48,130)
Lease receivables	-	6,257,385	(6,257,385)
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	135,020,437	132,255,679	2,764,758
Total assets	300,762,184	285,052,018	15,710,166
Deferred Outflows of Resources	15,705,598	12,360,998	3,344,600
Liabilities			
Accounts payable and accrued liabilities	29,470,694	14,252,679	15,218,015
Current portion of long-term liabilities	12,001,714	12,437,746	(436,032)
Noncurrent portion of long-term liabilities	237,190,685	238,812,295	(1,621,610)
Total liabilities	278,663,093	265,502,720	13,160,373
Deferred Inflows of Resources	10,101,626	27,143,725	(17,042,099)
Net Position			
Net investment in capital assets	30,942,908	20,403,744	10,539,164
Restricted	20,203,824	14,640,389	5,563,435
Unrestricted deficit	(23,443,669)	(30,277,562)	6,833,893
Total net position	$ 27,703,063	$ 4,766,571	$ 22,936,492

Fiscal year ended 2023 compared to 2022:

- Total assets and deferred outflows of resources increased approximately $19.1 million, a 6.4% increase from the prior year. This is largely due to the increase in Cash from categorical programs unearned revenue for unspent funds in FY23.

- Long-term liabilities decreased by $1.6 million, a 0.7% decrease from the prior year. This balance is mostly comprised of the long-term portion of the District's General Obligation Bonds, as well as the liabilities associated with the OPEB and pension liabilities associated with STRS and PERS. The decrease is primarily driven by payment made on the District's Measure E and X General Obligation Bonds.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position are presented on the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the operating and nonoperating revenues earned whether received or not by the District, the operating and nonoperating expenses incurred whether paid or not by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations while budgeted for operations, are considered nonoperating revenue according to generally accepted accounting principles because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

Table 2

	2023	2022*	Change
Operating Revenues			
Tuition and fees, net	$ 2,200,407	$ 2,071,551	$ 128,856
Grants and contracts, noncapital	14,908,514	13,936,945	971,569
Auxiliary sales and charges	252,542	-	252,542
Total operating revenues	17,361,463	16,008,496	1,352,967
Operating Expenses			
Salaries and benefits	35,975,190	32,945,771	3,029,419
Supplies, services, equipment, and maintenance	9,144,893	10,702,479	(1,557,586)
Student financial aid	11,149,504	11,679,798	(530,294)
Depreciation and amortization	3,976,521	3,073,496	903,025
Total operating expenses	60,246,108	58,401,544	1,844,564
Operating loss	(42,884,645)	(42,393,048)	(491,597)
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	13,238,871	12,643,803	595,068
Property taxes	43,567,612	39,856,369	3,711,243
Student financial aid grants	8,936,518	10,466,127	(1,529,609)
State revenues	2,085,042	1,517,581	567,461
Net interest expense	(5,281,131)	(10,020,657)	4,739,526
Other nonoperating revenues	716,732	445,459	271,273
Total nonoperating revenue (expense)	63,263,644	54,908,682	8,354,962
Other revenues	2,557,493	1,993,051	564,442
Change in net position	$ 22,936,492	$ 14,508,685	$ 8,427,807

* The revenues and expenses for the year ended June 30, 2022 were not restated to show the effects of the implementation of GASB Statement No. 96 for comparative purposes.

Fiscal year ended 2023 compared to 2022:

- Salaries and benefits increased by approximately $3.0 million or 9.2%. The main drivers for the increase was the increase in the pension liabilities as of June 30, 2023, the filling of open positions during the year, a negotiated COLA of 4.5%, and an additional step added to all salary schedules of 2%.

- Student aid payments decreased by approximately $0.5 million or 4.5%. This was mostly due to the conclusion in the Higher Education Emergency Relief Funds (HEERF) under the CARES Act.

- Total nonoperating revenue increased due to a increase in investment income in the 2022-2023 year. This increase was caused by the fair market value of adjustment of the District's cash in county treasury balances and increased interest rates offered by the Santa Clara County Treasurer's Office.

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

Table 3

Year ended June 30, 2023:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation and Amortization	Total
Instructional activities	$ 17,029,033	$ 1,267,504	$ -	$ 20,140	$ -	$ 18,316,677
Instructional administration	2,294,910	(46,175)	-	35,804	-	2,284,539
Instructional support services	1,185,188	16,672	-	1,024	-	1,202,884
Student services	5,503,772	1,110,206	-	92,998	-	6,706,976
Plant operations and maintenance	1,073,393	1,216,300	-	34,405	-	2,324,098
Planning, policymaking, and coordinations	603,244	288,467	-	5,231	-	896,942
Institutional support services	4,988,407	906,878	-	233,930	-	6,129,215
Community services	1,549,329	1,143,620	-	8,148	-	2,701,097
Ancillary services and auxiliary operations	1,526,530	369,544	-	21,972	-	1,918,046
Student aid	-	-	11,149,504	-	-	11,149,504
Physical property and related acquisitions	221,384	1,231,471	-	1,186,754	-	2,639,609
Unallocated depreciation and amortization	-	-	-	-	3,976,521	3,976,521
Total	$ 35,975,190	$ 7,504,487	$ 11,149,504	$ 1,640,406	$ 3,976,521	$ 60,246,108

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

- Operating activities consist of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.

- Noncapital financing activities are primarily state apportionment and property taxes.

- Capital financing activities consist of purchases of capital assets (land, buildings, and equipment) and bond interest payments and receipts from federal and state grants for capital purposes, as well as property tax revenue for bond repayments.

- Cash from investing activities is interest earned on investments through the Santa Clara County Investment Pool.

Table 4

	2023	2022	Change
Net Cash Flows from			
Operating activities	$ (36,666,189)	$ (41,341,537)	$ 4,675,348
Noncapital financing activities	49,696,193	49,712,678	(16,485)
Capital financing activities	(359,162)	(8,700,234)	8,341,072
Investing activities	1,163,284	(3,233,508)	4,396,792
Net Increase (Decrease) in Cash and Cash Equivalents	13,834,126	(3,562,601)	17,396,727
Cash and Cash Equivalents, Beginning of Year	141,215,808	144,778,409	(3,562,601)
Cash and Cash Equivalents, End of Year	$ 155,049,934	$ 141,215,808	$ 13,834,126

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

As of June 30, 2023, the District had approximately $135.0 million invested in net capital assets, right-to-use leased assets, and right-to-use subscription assets. Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets of $186.4 million consist of land, construction in progress, buildings and improvements, vehicles, equipment right-to-use leased assets, and right-to-use subscription assets. These assets have accumulated depreciation/amortization of $51.4 million. In fiscal year 2022-2023, there were capital asset, right-to-use leased assets, and right-to-use subscription IT assets net additions in the amount of $6.7 million, which primarily includes costs for the PE Building Replacement Project, and depreciation/amortization expense of $4.0 million. We present more detailed information regarding our capital assets, leased assets, and subscription IT assets in Note 8 of the financial statements.

Table 5

	2023	2022, as restated	Net Change
Land and construction in progress	$ 48,119,803	$ 43,347,543	$ 4,772,260
Buildings and improvements, net	83,708,227	84,963,346	(1,255,119)
Equipment and vehicles, net	948,411	808,976	139,435
Right-to-use leased assets, net	449,491	441,324	8,167
Right-to-use subscription IT assets, net	1,794,505	2,694,490	(899,985)
Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	$ 135,020,437	$ 132,255,679	$ 2,764,758

Long-Term Liabilities including OPEB and Pensions

At June 30, 2023, the District had $249.2 million in outstanding long-term liabilities compared to $251.3 million at June 30, 2022. We present more detailed information regarding our long-term liabilities in Notes 9, 10, and 12 to the financial statements.

Table 6

	Balance, July 1, 2022, as restated	Additions	Deletions	Balance, June 30, 2023
Bonds and premiums	$ 219,602,482	$ -	$ (12,249,545)	$ 207,352,937
Aggregate net OPEB liability	2,125,536	-	(1,067,398)	1,058,138
Aggregate net pension liability	24,719,737	12,611,588	-	37,331,325
Leases	478,724	34,194	(21,366)	491,552
Subscription-based IT arrangements	2,704,624	25,233	(923,300)	1,806,557
Other liabilities	1,618,938	-	(467,048)	1,151,890
Total long-term liabilities	$ 251,250,041	$ 12,671,015	$ (14,728,657)	$ 249,192,399
Amount due within one year				$ 12,001,714

At June 30, 2023, the District has an aggregate net other postemployment benefit liability (OPEB) of $1,058,138 compared to $2,125,536 at June 30, 2022, a net decrease of $1,067,398 or 50.2%.

At June 30, 2023, the District has an aggregate net pension liability of $37,331,325 compared to $24,719,737 at June 30, 2022, a net increase of $12,611,588 or 51.0%.

BUDGETARY HIGHLIGHTS

The economic position of the Gavilan Joint Community College District is closely tied to the State of California. A large portion of the district's funding comes from Proposition 98 included in the Student-Centered Funding Formula. The Student-Centered Funding Formula (SCFF) will be in its' fifth year of implementation. The formula utilizes a three-year FTES average for funding. The impact of the COVID-19 pandemic led to the introduction of an Emergency Conditions Allowance (ECA), allowing colleges to maintain funding at 2018-2019 FTES levels despite a significant drop in actual enrollment. The ECA expires in the 2022-2023 academic year.

The Board of Trustees adopted the final budget for FY 2022-23 on September 13, 2022. At the time the 2022-23 budget was developed, the following assumptions were made:

- Emergency Allowance was approved for the District, so the District remained in Hold Harmless
- COLA – The budget included COLA of 6.56%
- Non-resident Tuition was set at $299 per unit with no capital outlay fee
- Compensation increases of 3% (on-going) for all employees including a one-time $750 incentive
- Benefit stipend increases were estimated at 8%
- STRS rates were 19.1% and PERS rates were 25.4%

ECONOMIC FACTORS

With the Emergency Conditions Allowance expiring n 2022-23, this means that for the 2023-2024 fiscal year, Gavilan's funding will be calculated using a blend of two years at the 2018-2019 FTES levels and one year at the actual 2023-2024 FTES level. This will transition over subsequent years until the 2025-2026 fiscal year when funding will be based solely on the actual three-year average of FTES generated. Two "hold harmless" clauses exist within the SCFF framework. The first calculates the previous year's SCFF funding and incorporates the current year's Cost of Living Adjustment (COLA). The second will lock in the 2024-2025 funded level as a floor for future allocations with no increases in COLA. Consequently, the highest of these three amounts—calculated current year SCFF, prior year plus COLA, or the 2024-2025 funding level—will be the revenue received. A notable caveat is that if a district is placed into the 2024-2025 funding level (floor), this funding level is static, offering no future COLA until it recovers FTES. This could pose challenges for colleges that fail to reach the 2018-2019 funding thresholds, necessitating continuous expenditure reductions to keep pace with inflation. In order to restore the funding to SCFF formula allocation, the college will need to grow 4,800 FTES by 2024-25. The District is looking into several opportunities to achieve this growth through dual enrollment agreements, enrollment growth at public safety training center, our new jail program, and overall enrollment increases from our free tuition program. The district estimates that FTES will take an upswing in 2023-24 with a 10% increase over 2022-2023, and an additional 9% in 2024-25.

Gavilan Joint Community College District is in a seemingly robust financial state, thanks to prudent fiscal management. Resource allocation plans, balancing one-time and ongoing expenditures, have been discussed with all governance bodies and approved by the Board of Trustees. The college remains committed to effective enrollment management. Through sustained outreach, student engagement, and promotional activities, the District is hopeful to counteract the declining enrollment rates. Additional tactics to enhance enrollment include eliminating automatic enrollment cancellations for unpaid fees, deploying Higher Education Emergency Relief Fund (HEERF) monies for student debt cancellation, extending free tuition for another academic year, and waiving parking fees.

Management continues to closely monitor the state budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and recommended by the State Chancellor's Office

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 Gavilan Joint Community College District, attention Jamie Mata, Interim Vice President of Administrative Services, 5055 Santa Teresa Blvd., Gilroy, California 95050.

Assets	
Cash and cash equivalents	$ 3,814,341
Investments	151,235,593
Accounts receivable	9,252,156
Student receivables, net	1,074,422
Prepaid expenses	27,364
Long-term accounts receivable, due within one year	22,525
Long-term accounts receivable, due in more than one year	315,346
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	
Nondepreciable capital assets	48,119,803
Depreciable capital assets, net of accumulated depreciation	84,656,638
Right-to-use leased assets, net of accumulated amortization	449,491
Right-to-use subscription IT assets, net of accumulated amortization	1,794,505
Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	135,020,437
Total assets	300,762,184
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	4,659,553
Deferred outflows of resources related to OPEB	581,698
Deferred outflows of resources related to pensions	10,464,347
Total deferred outflows of resources	15,705,598
Liabilities	
Accounts payable	12,502,098
Accrued interest payable	2,812,086
Unearned revenue	14,156,510
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	12,001,714
Long-term liabilities other than OPEB and pensions, due in more than one year	198,801,222
Aggregate net other postemployment benefits (OPEB) liability	1,058,138
Aggregate net pension liability	37,331,325
Total liabilities	278,663,093
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,945,372
Deferred inflows of resources related to pensions	8,156,254
Total deferred inflows of resources	10,101,626
Net Position	
Net investment in capital assets	30,942,908
Restricted for	
Debt service	12,063,456
Capital projects	7,817,153
Other activities	323,215
Unrestricted deficit	(23,443,669)
Total net position	$ 27,703,063

Operating Revenues	
Tuition and fees	$ 3,907,853
Less: Scholarship discounts and allowances	(1,707,446)
Net tuition and fees	2,200,407
Grants and contracts, noncapital	
Federal	3,333,405
State	10,981,129
Local	593,980
Total grants and contracts, noncapital	14,908,514
Auxiliary enterprise sales and charges	
Other enterprise	252,542
Total operating revenues	17,361,463
Operating Expenses	
Salaries	27,071,527
Employee benefits	8,903,663
Supplies, materials, and other operating expenses and services	7,504,487
Student financial aid	11,149,504
Equipment, maintenance, and repairs	1,640,406
Depreciation and amortization	3,976,521
Total operating expenses	60,246,108
Operating Loss	(42,884,645)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	13,238,871
Local property taxes, levied for general purposes	26,085,680
Taxes levied for other specific purposes	17,481,932
Federal and state financial aid grants	8,936,518
State taxes and other revenues	2,085,042
Investment income	1,240,611
Interest expense on capital related debt	(6,548,583)
Investment income on capital asset-related debt, net	26,841
Other nonoperating revenue	716,732
Total nonoperating revenues (expenses)	63,263,644
Income Before Other Revenues	20,378,999
Other Revenues	
State revenues, capital	2,557,493
Change In Net Position	22,936,492
Net Position, Beginning of Year, as Restated	4,766,571
Net Position, End of Year	$ 27,703,063

Cash Flows from Operating Activities	
Tuition and fees	$ 1,842,311
Federal, state, and local grants and contracts, noncapital	20,669,757
Payments to or on behalf of employees	(39,966,388)
Payments to vendors for supplies and services	(8,314,907)
Payments to students for scholarships and grants	(11,149,504)
Auxiliary sales	252,542
Net cash flows from operating activities	(36,666,189)
Cash Flows from Noncapital Financing Activities	
State apportionments	12,235,126
Federal and state financial aid grants	8,936,518
Property taxes - nondebt related	26,085,680
State taxes and other apportionments	2,053,774
Other nonoperating	385,095
Net cash flows from noncapital financing activities	49,696,193
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(1,349,248)
State revenue, capital	2,557,493
Property taxes - related to capital debt	17,481,932
Principal paid on capital debt	(12,249,666)
Interest paid on capital debt	(6,903,841)
Interest received on capital asset-related debt	104,168
Net cash flows from capital financing activities	(359,162)
Cash Flows from Investing Activities	
Change in fair market value of cash in county treasury	(4,853,523)
Interest received from investments	6,016,807
Net cash flows from investing activities	1,163,284
Change In Cash and Cash Equivalents	13,834,126
Cash and Cash Equivalents, Beginning of Year	141,215,808
Cash and Cash Equivalents, End of Year	$ 155,049,934

Reconciliation of net operating loss to net cash flows from operating activities	
Operating Loss	$ (42,884,645)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	3,976,521
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Receivables, net	(1,683,000)
Lease receivable	6,257,385
Prepaid expenses	48,130
Deferred outflows of resources related to OPEB	81,517
Deferred outflows of resources related to pensions	(4,163,736)
Accounts payable and accrued liabilities	618,558
Unearned revenue	7,048,038
Compensated absences	(266,849)
Early retirement incentive	(200,199)
Aggregate net OPEB liability	(1,067,398)
Aggregate net pension liability	12,611,588
Deferred inflows of resources related to leases	(6,219,276)
Deferred inflows of resources related to OPEB	418,149
Deferred inflows of resources related to pensions	(11,240,972)
Total adjustments	6,218,456
Net cash flows from operating activities	$ (36,666,189)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 3,814,341
Cash in county treasury	151,235,593
Total cash and cash equivalents	$ 155,049,934
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	$ 737,619
Amortization of debt premiums	$ 944,545
Recognition of lease liabilities arising from obtaining right-to-use leased assets	$ 34,194
Recognition of subscription based IT arrangement liabilities arising from obtaining right-to-usesubscription IT assets	$ 25,233

	Retiree OPEB Trust
Assets	
Investments	$ 6,256,822
Net Position	
Restricted for postemployment benefits other than pensions	$ 6,256,822

	Retiree OPEB Trust
Additions	
District contributions	$ 723,714
Interest and investment income	230,884
Net realized and unrealized gains	237,596
Total additions	1,192,194
Deductions	
Benefit payments	723,714
Administrative expenses	8,350
Total deductions	732,064
Change in Net Position	460,130
Net Position - Beginning of Year	5,796,692
Net Position - End of Year	$ 6,256,822

Note 1 - Organization

Gavilan College was originally established as San Benito County Junior College in 1919. Gavilan Joint Community College District (the District) was established in 1963 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college in Gilroy, California serving students within Santa Clara and San Benito Counties. While the District is a political subdivision of the State of California, it is legally separate and is independent of other state and local governments, and it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from federal taxes.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District has identified no component units.

The District has analyzed the financial and accountability relationship with the Gavilan College Educational Foundation (the Foundation) in conjunction with GASB Statement No. 61 criteria. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundations. However, it has been determined that all criteria under GASB Statement No. 61 has not been met to require inclusion of the Foundation's financial statements into the District's annual report. Information on the Foundation may be requested through the Foundation office.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. 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.

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. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include state apportionments, property taxes, federal and state grants, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from federal and state grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

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 three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

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. The District has recorded an allowance for uncollectible accounts. This allowance is based upon management's estimates and analysis. The allowance was estimated at $296,375 for the year ended June 30, 2023.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. 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 acquisition 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 routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing 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; and vehicles, 5 to 10 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

Right-to-use Lease Assets and Amortization

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

Right-to-use Subscription IT Assets and Amortization

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. 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, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

Leases

The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscription-based IT Arrangements

The District recognizes a subscription-based IT arrangement liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. The District measures the subscription-based IT arrangement liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription-based IT arrangement liability is reduced by the principal portion of subscription payments made. The right-to-use subscription IT asset is initially measured as the initial amount of the subscription-based IT arrangement liability, plus certain initial direct costs. Subsequently, the right-to-use subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset. The amortization period varies from two to five years.

Pensions

For purposes of measuring the aggregate net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the aggregate net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (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.

Noncurrent Liabilities

Noncurrent liabilities include general obligation bonds, leases, subscription-based IT arrangements, compensated absences, aggregate net OPEB liability, aggregate net pension liability, and an early retirement incentive with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $20,203,824 of restricted net position, and the fiduciary fund financial statements report $6,256,822 of restricted net position.

Operating and Nonoperating 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. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating 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.

- **Nonoperating expenses** - Nonoperating 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. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. 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 County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2018 for the acquisition, construction, and remodeling of certain District property. 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 assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships Discounts and Allowances

Tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. 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.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards*.

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, and those difference could be material.

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

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 within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles

Implementation of GASB Statement No. 91

As of July 1, 2022, the District adopted GASB Statement No. 91*, Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 94

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of an asset, receivable, and deferred inflow of resources. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 14 and the additional disclosures required by this standard are included in Notes 8 and 9.

Note 3 - Deposits and Investments

Policies and Practices

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

Investment in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be the involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California *Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 3,786,841	$ -
Cash in revolving	27,500	-
Investments	151,235,593	6,256,822
Total deposits and investments	$ 155,049,934	$ 6,256,822

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Santa Clara County Investment Pool and mutual funds.

Information about the sensitivity of the fair values of the District's investments to interest rate risk and credit risk is provided by the following schedule that shows the distribution of the District's investment by maturity and credit rating:

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
Mutual funds	$ 6,256,822	No maturity	Not rated
Santa Clara county investment pool	151,235,593	648	Aaa
Total	$ 157,492,415		

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.

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% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of $4,120,650 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.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2023, the District's investment balance of $5,756,822 was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District's investment policy limits the amount of securities that can be held by counterparties to no more than 10% of total investments in one issuer for commercial paper, mutual funds and money market mutual funds and 30% for Banker's Acceptance.

Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Fair Value	Level 1 Inputs
Mutual funds	$ 6,256,822	$ 6,256,822

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2023, consisted of the following:

	Primary Government
Federal Government	
Categorical aid	$ 4,057,505
State Government	
Apportionment	3,370,892
Categorical aid	228,926
Lottery	331,903
Local Sources	
Other local sources	1,262,930
Total	$ 9,252,156
Student receivables	$ 1,370,797
Less: allowance for bad debt	(296,375)
Student receivables, net	$ 1,074,422

Note 6 - Long-Term Receivable

In November 2013, the District sold portables to Gilroy Unified School District at fair market value under a financed purchase agreement. Payments of $22,525 are received annually over an initial 25-year period. Future payments will be received as follows:

Fiscal Year	Primary Government
2024	$ 22,525
2025	22,525
2026	22,525
2027	22,525
2028	22,525
2029-2033	112,624
2034-2038	112,622
Total	$ 337,871

Note 7 - Lease Receivable

The District entered into a lease agreement with South Bay Regional Public Safety Training Consortium. The lease receivable is summarized below:

Lease Receivables	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
Coyote Valley	$ 6,257,385	$ -	$ (6,257,385)	$ -

Coyote Valley Education Center

The District leased a portion of its facilities to the South Bay Regional Public Safety Training Consortium (“the JPA”). The JPA utilized the facilities to provide public safety education and training services for students of a consortium of community colleges. The initial lease was noncancelable for a period of two years, with three renewal period of five years. During the 2022-2023 fiscal year the JPA did not inform the District in writing that they were going to exercise the renewal option. Upon not notifying the District about their intention to renew the lease, the JPA is now a year-to-year lessee of the facilities.

Note 8 - Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets

Capital asset, right-to-use leased asset, and right-to-use subscription IT asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023
Capital Assets Not Being Depreciated				
Land	$ 28,354,202	$ -	$ -	$ 28,354,202
Construction in progress	14,993,341	6,136,448	(1,364,188)	19,765,601
Total capital assets not being depreciated	43,347,543	6,136,448	(1,364,188)	48,119,803
Capital Assets Being Depreciated				
Site improvements	15,645,849	-	-	15,645,849
Buildings and improvements	104,415,243	1,502,024	-	105,917,267
Equipment and vehicles	11,361,788	407,568	-	11,769,356
Total capital assets being depreciated	131,422,880	1,909,592	-	133,332,472
Total capital assets	174,770,423	8,046,040	(1,364,188)	181,452,275
Less Accumulated Depreciation				
Site improvements	(3,829,220)	(754,961)	-	(4,584,181)
Buildings and improvements	(31,268,526)	(2,002,182)	-	(33,270,708)
Equipment and vehicles	(10,552,812)	(268,133)	-	(10,820,945)
Total accumulated depreciation	(45,650,558)	(3,025,276)	-	(48,675,834)
Net capital assets	129,119,865	5,020,764	(1,364,188)	132,776,441
Right-to-use Leased Assets Being Amortized				
Site and site improvements	566,046	34,194	-	600,240
Less Accumulated Amortization				
Site and site improvements	(124,722)	(26,027)	-	(150,749)
Net right-to-use leased assets	441,324	8,167	-	449,491
Right-to-use Subscription IT Assets				
Right-to-use subscription IT assets	4,379,396	25,233	-	4,404,629
Accumulated amortization	(1,684,906)	(925,218)	-	(2,610,124)
Net right-to-use subscription IT assets being amortized	2,694,490	(899,985)	-	1,794,505
Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	$ 132,255,679	$ 4,128,946	$ (1,364,188)	$ 135,020,437

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2023, consisted of the following:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023	Due in One Year
General obligation bonds	$ 206,905,000	$ -	$ (11,305,000)	$ 195,600,000	$ 10,860,000
Bond premium	12,697,482	-	(944,545)	11,752,937	-
Leases	478,724	34,194	(21,366)	491,552	21,995
Subscription-based IT arrangements	2,704,624	25,233	(923,300)	1,806,557	919,519
Compensated absences	1,218,539	-	(266,849)	951,690	-
Early retirement incentive	400,399	-	(200,199)	200,200	200,200
Total	$ 224,404,768	$ 59,427	$ (13,661,259)	$ 210,802,936	$ 12,001,714

Description of Long-Term Liabilities

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. The compensated absences liability will be paid by the fund for which the employee worked. Leases, subscription-based IT arrangements and the early retirement incentive will be paid by the General Fund.

General Obligation Bonds

2002 General Obligation Bonds – Measure E

On March 2, 2004, the District voters authorized the issuance and sale of general obligation bonds totaling $108,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities.

In April 2012, the District issued $12,120,000 of General Obligation Refunding Bonds, 2012 Series A and $11,800,000 of General Obligation Refunding Bonds, 2012 Series B. The Bonds were issued to partially refund the 2004 Series A General Obligation Bonds and to pay the costs of issuance associated with the Bonds. The 2012 Series A and Series B Refunding Bonds mature through August 2024 and August 2028, respectively. Interest ranges from 2.00% to 4.00% payable semi-annually on February 1 and August 1.

In August 2015, the District issued $42,320,000 of General Obligation Refunding Bonds, 2015 Series C. The Bonds were issued to partially refund the District's outstanding General Obligation Bonds, 2004 Series C and to pay the costs of issuance associated with the Bonds. The Bonds mature through August 2032. Interest rates range from 3.00% to 5.00% payable semi-annually on February 1 and August 1.

In December 2017, the District issued $27,045,000 of 2017 General Obligation Refunding Bonds. The Bonds were issued to partially refund the District's outstanding General Obligation Bonds, 2004 Series A and 2004 Series D Bonds, and to pay the costs of issuance associated with the Bonds. The Bonds mature through August 2035. Interest rates range from 2.00% to 5.00% payable semi-annually on February 1 and August 1.

In October 2020, the District issued $15,000,000 of 2020 General Obligation Refunding Bonds. The Bonds were issued to partially refund the District's outstanding 2012 General Obligation Refunding Bonds and to pay the costs of issuance associated with the Bonds. The Bonds mature through August 2028. Interest rates range from 0.407% to 1.826% payable semi-annually on February 1 and August 1.

2018 General Obligation Bonds – Measure X

On November 6, 2018, the District voters authorized the issuance and sale of general obligation bonds totaling $248,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities.

In April 2019, the District issued $26,600,000 of General Obligation Bonds, 2018 Series A, and $11,400,000 of General Obligation Bonds, 2018 Series A-1. The Bonds were issued to finance or to reimburse expenditures made for the acquisition, construction, modernization, and equipping of District sites and facilities; retire all of the District's 2017 Lease Agreements; make certain regularly scheduled lease payments with respect to the District's Series 2016A Lease Revenue Bonds as they become due; and pay the costs of issuing the Bonds. The 2018 Series A and Series A-1 Bonds mature through August 2035 and August 2025, respectively. Interest rates range from 2.45% to 4.00% payable semi-annually on March 1 and September 1.

In October 2020, the District issued $40,000,000 of General Obligation Bonds, 2018 Series B, and $65,000,000 of General Obligation Bonds, 2018 Series B-1. The Bonds were issued to finance or to reimburse expenditures made for the acquisition, construction, modernization, and equipping of District sites and facilities; retire all of the District's 2017 Lease Agreements; make certain regularly scheduled lease payments with respect to the District's Series 2016A Lease Revenue Bonds maturing on and after June 1, 2022; and pay the costs of issuing the Bonds. The 2018 Series B and Series B-1 Bonds mature through August 2050. Interest rates range from 0.427% to 4.00% payable semi-annually on February 1 and August 1.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
4/2012	8/1/2024	2.00%-4.00%	$ 12,120,000	$ 1,550,000	$ -	$ (1,550,000)	$ -
4/2012	8/1/2028	2.00%-3.00%	11,800,000	360,000	-	(115,000)	245,000
8/2015	8/1/2032	3.00%-5.00%	42,320,000	38,630,000	-	(1,210,000)	37,420,000
12/2017	8/1/2035	2.00%-5.00%	27,045,000	25,465,000	-	(855,000)	24,610,000
4/2019	8/1/2035	4.00%	26,600,000	17,225,000	-	-	17,225,000
4/2019	8/1/2025	2.45%-2.85%	11,400,000	4,050,000	-	(1,025,000)	3,025,000
10/2020	8/1/2050	3.00%-4.00%	40,000,000	40,000,000	-	(3,540,000)	36,460,000
10/2020	8/1/2050	0.427%-3.103%	65,000,000	65,000,000	-	(2,670,000)	62,330,000
10/2020	8/1/2028	0.407%-1.826%	15,000,000	14,625,000	-	(340,000)	14,285,000
				$ 206,905,000	$ -	$ (11,305,000)	$ 195,600,000

Debt Service Requirements to Maturity

The 2004 Election General Obligation Bonds (Measure E) mature through fiscal year 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2024	$ 4,430,000	$ 3,018,470	$ 7,448,470
2025	4,785,000	2,885,373	7,670,373
2026	5,145,000	2,730,720	7,875,720
2027	5,555,000	2,556,043	8,111,043
2028	6,005,000	2,358,220	8,363,220
2029-2033	39,545,000	7,172,332	46,717,332
2034-2036	11,095,000	440,125	11,535,125
Total	$ 76,560,000	$ 21,161,283	$ 97,721,283

The 2018 Election General Obligation Bonds (Measure X) mature through fiscal year 2051 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2024	$ 6,430,000	$ 3,592,275	$ 10,022,275
2025	3,110,000	3,474,439	6,584,439
2026	3,185,000	3,408,886	6,593,886
2027	3,680,000	3,309,115	6,989,115
2028	4,055,000	3,154,414	7,209,414
2029-2033	17,385,000	13,954,564	31,339,564
2034-2038	19,110,000	10,688,081	29,798,081
2039-2043	17,180,000	8,225,788	25,405,788
2044-2048	25,120,000	5,049,060	30,169,060
2049-2051	19,785,000	932,847	20,717,847
Total	$ 119,040,000	$ 55,789,469	$ 174,829,469

Leases

The District has entered into agreements to lease facilities and equipment. The District's liability for the lease agreements is summarized below:

Leases	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
Airport Lease	$ 478,724	$ -	$ (14,932)	$ 463,792
Pitney Bowes Lease	-	34,194	(6,434)	27,760
Total	$ 478,724	$ 34,194	$ (21,366)	$ 491,552

Airport Lease

The District entered into an agreement to lease facilities at the San Martin Airport for 29.5 years (354 months), beginning January 1, 2016. Under the terms of the lease, the District paid the monthly payments of $2,369, which amounted to total principal and interest costs of $28,429. The annual interest rate charged on the lease is 2.86%. At June 30, 2023, the District has recognized a right to use asset of $566,046 and a lease liability of $463,792 related to this agreement. During the fiscal year, the District recorded $19,188 in amortization expense and $13,497 in interest expense for the right to use of the facilities.

Pitney Bowes Lease

The District entered into an agreement to lease postage machines for 5 years (60 months), beginning in July 2022. Under the terms of the lease, the District paid the monthly payments of $615, which amounted to total principal and interest costs of $7,375. The annual interest rate charged on the lease is 3.01%. At June 30, 2023, the District has recognized a right to use asset of $34,194 and a lease liability of $27,760 related to this agreement. During the fiscal year, the District recorded $6,839 in amortization expense and $941 in interest expense for the right to use of the machines.

The District's liability on the lease agreements is summarized below:

Fiscal Year		Principal		Interest		Total
2024	$	21,995	$	13,809	$	35,804
2025		22,643		13,161		35,804
2026		23,309		12,494		35,803
2027		23,996		11,808		35,804
2028		17,225		11,204		28,429
2029-2033		93,907		48,238		142,145
2034-2038		108,324		33,820		142,144
2039-2043		124,956		17,189		142,145
2044-2045		55,197		1,659		56,856
Total	$	491,552	$	163,382	$	654,934

Early Retirement Incentive

In 2019, The Board of Trustees approved the District's Supplemental Early Retirement Plan (SERP). Each participating employee was at least 60 years of age, worked full time for at least 10 years, and the SERP was based on a one-time payment of 65% of the employee's last annual salary. The benefits will be paid through annuities by the District. At June 30, 2023, the liability for the SERP was $200,200 and will be paid through the 2023-2024 fiscal year in accordance with the following schedule:

Year Ending June 30,		
2024	$	200,200

Subscriptions-Based IT Arrangements (SBITAs)

The District entered into various SBITAs for the use of various software. At June 30, 2023, the District has recognized right-to-use subscriptions IT assets of $4,404,629 and a SBITA liabilities of $1,806,557 related to these agreements. During the fiscal year, the District recorded $925,218 in amortization expense. The District is required to make total principal and interest payments of $1,820,027 through August 2026. The subscriptions have interest rates between 0.31% and 2.85%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 919,519	$ 8,848	$ 928,367
2025	816,124	3,856	819,980
2026	69,717	765	70,482
2027	1,197	1	1,198
Total	$ 1,806,557	$ 13,470	$ 1,820,027

Note 10 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2023, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 955,820	$ 581,698	$ 1,945,372	$ (538,894)
Medicare Premium Payment (MPP) Program	102,318	-	-	(28,838)
Total	$ 1,058,138	$ 581,698	$ 1,945,372	$ (567,732)

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Retiree Health Benefit Program Trust.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	129
Active employees	221
Total	350

Retiree Health Benefit OPEB Trust

The Gavilan Joint Community College District Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the District's Governing Board as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. The League issues a publicly available financial reports that can be requested on the California Community College League's website at: https://ccleague.org/district-services/retiree-health-benefits-jpa.

Benefits Provided

The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Gavilan College Faculty Association (GCFA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, GCFA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2023, the District paid $723,714 to the Plan, all of which was used for current premiums.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2023:

Asset Class	Target Allocation
Global Equities	47%
Natural Resources	3%
Investment Grade Bonds	34%
Infaltion Assets	8%
High Yield Bonds	5%
Bank Loans	3%

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $955,820 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2023, were as follows:

Total OPEB liability	$ 7,212,642
Plan fiduciary net position	(6,256,822)
Net OPEB liability	$ 955,820
Plan fiduciary net position as a percentage of the total OPEB liability	86.75%

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	2.80 percent, average, including inflation
Discount rate	5.16 percent
Investment rate of return	5.25 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.00 percent for 2023, decreasing to an ultimate rate of 4.50 percent

The discount rate was based on using a building-block method in which future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.

Mortality rates were based on the SOA Pub-2010 General Mortality Table fully generational using Scale MP-2021 for PERS retirees and SOA Pub-2010 Teachers Mortality Table fully generational using Scale MP-2021 for STRS retirees. Mortality rates vary by age and sex. If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study as of June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Global Equities	5.25%
Natural Resources	5.25%
Investment Grade Bonds	5.25%
Infaltion Assets	5.25%
High Yield Bonds	5.25%
Bank Loans	5.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.16%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2022	$ 7,791,072	$ 5,796,692	$ 1,994,380
Service cost	304,392	-	304,392
Interest	541,781	-	541,781
Changes of benefit terms	(56,757)	-	(56,757)
Difference between expected and actual experience	(812,764)	-	(812,764)
Contributions - employer	-	723,714	(723,714)
Net investment income	-	468,480	(468,480)
Changes of assumptions	168,632	-	168,632
Benefit payments	(723,714)	(723,714)	-
Administrative expense	-	(8,350)	8,350
Net change in total OPEB liability	(578,430)	460,130	(1,038,560)
Balance, June 30, 2023	$ 7,212,642	$ 6,256,822	$ 955,820

Changes of assumptions reflect a change in the healthcare trend rate from an initial rate of 6.25%, decreasing to an ultimate rate of 4.50% to an initial rate of 7.00%, decreasing to an ultimate rate of 4.50%, the discount rate was changed from 7.00% to 5.16%, the investment rate of return was changed from 7.00% to 5.25%, and an increasing of the average salary increase rate from 3.25% to 2.80% since the previous valuation.

Changes in benefit terms reflect a change in the District maximum contribution from 5.00% to 0.00% since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (4.16%)	$ 1,425,231
Current discount rate (5.16%)	955,820
1% increase (6.16%)	522,395

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (6.00%, decreasing to an ultimate rate of 3.50%)	$ 426,788
Current healthcare cost trend rates (7.00%, decreasing to an ultimate rate of 4.50%	955,820
1% increase (8.00%, decreasing to an ultimate rate of 5.50%)	1,557,330

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,458,370
Changes of assumptions	147,553	487,002
Net difference between projected and actual earnings on OPEB plan investments	434,145	-
Total	$ 581,698	$ 1,945,372

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 119,623
2025	87,801
2026	239,320
2027	(12,599)
Total	$ 434,145

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 8 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (344,471)
2025	(344,471)
2026	(344,470)
2027	(374,701)
2028	(203,296)
Thereafter	(186,410)
Total	$ (1,797,819)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of $102,318 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0311% and 0.0329%, respectively, resulting in a net decrease in the proportionate share of 0.0018%.

For the year ended June 30, 2023, the District recognized OPEB expense of $(28,838).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	$ 111,546
Current discount rate (3.54%)	102,318
1% increase (4.54%)	94,327

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 93,880
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	102,318
1% increase (5.50% Part A and 6.40% Part B)	111,882

Note 11 - Joint Powers Authority Risk Pools

The District participates in two Joint Powers Agreement (JPA) entities: the Statewide Association of Community Colleges Joint Powers Authority (SWACCJPA) and the Northern California Community College Pool (NCCCP).

SWACCJPA provides excess property and general liability excess coverages up to $250,000,000 and $25,000,000, respectively. The District is self-insured for claims up to $10,000.

NCCCP provides coverage up to the statutory limits for workers' compensation claim. The District is no self-insured for workers' compensation claims.

Each JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA, including the selection of management and the approval of operating budgets independent of any influence by the members beyond their representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationships between Gavilan Joint Community College District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

Separate financial statements for each JPA may be obtained from the respective entity.

Note 12 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 14,380,978	$ 3,212,406	$ 5,377,550	$ 408,268
CalPERS	22,950,347	7,251,941	2,778,704	1,920,045
Total	$ 37,331,325	$ 10,464,347	$ 8,156,254	$ 2,328,313

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that may be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were $2,380,763.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 14,380,978
State's proportionate share of net pension liability associated with the District	7,201,938
Total	$ 21,582,916

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the state, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0207% and 0.0219%, respectively, resulting in a net decrease in the proportionate share of 0.0012%.

For the year ended June 30, 2023, the District recognized pension expense of $408,268. In addition, the District recognized pension expense and revenue of $580,832 for support provided by the state. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,380,763	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	106,654	3,596,018
Differences between projected and actual earnings on pension plan investments	-	703,259
Differences between expected and actual experience in the measurement of the total pension liability	11,797	1,078,273
Changes of assumptions	713,192	-
Total	$ 3,212,406	$ 5,377,550

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (516,595)
2025	(559,644)
2026	(840,699)
2027	1,213,679
Total	$ (703,259)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (410,258)
2025	(1,013,554)
2026	(831,219)
2027	(812,198)
2028	(545,554)
Thereafter	(229,865)
Total	$ (3,842,648)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Private equity	13%	6.3%
Real estate	15%	3.6%
Inflation sensitive	6%	3.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 24,424,235
Current discount rate (7.10%)	14,380,978
1% increase (8.10%)	6,042,056

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that may be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the total District contributions were $2,740,670.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $22,950,347. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0667% and 0.0726%, respectively, resulting in a net decrease in the proportionate share of 0.0059%.

For the year ended June 30, 2023, the District recognized pension expense of $1,920,045. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,740,670	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	2,207,670
Differences between projected and actual earnings on pension plan investments	2,709,812	-
Differences between expected and actual experience in the measurement of the total pension liability	103,723	571,034
Changes of assumptions	1,697,736	-
Total	$ 7,251,941	$ 2,778,704

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 451,911
2025	400,814
2026	204,740
2027	1,652,347
Total	$ 2,709,812

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (520,309)
2025	(314,073)
2026	(84,630)
2027	(58,233)
Total	$ (977,245)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.45%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 33,152,938
Current discount rate (6.90%)	22,950,347
1% increase (7.90%)	14,518,280

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,155,340 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 13 - Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. 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, 2023.

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, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately $192.5 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 14 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (*SBITAs*). The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Primary Government	
Net Position - Beginning	$ 4,776,705
Right-to-use subscription IT assets, net of amortization	2,694,490
Subscription IT arrangements	(2,704,624)
Net Position - Beginning, as Restated	$ 4,766,571

Required Supplementary Information
June 30, 2023

Gavilan Joint Community College District

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 304,392	$ 296,980	$ 374,184
Interest	541,781	546,517	638,922
Changes of benefit terms	(56,757)	-	-
Difference between expected and actual experience	(812,764)	(203,047)	(685,614)
Changes of assumptions	168,632	-	(779,205)
Benefit payments	(723,714)	(707,605)	(871,928)
Net change in total OPEB liability	(578,430)	(67,155)	(1,323,641)
Total OPEB Liability - Beginning	7,791,072	7,858,227	9,181,868
Total OPEB Liability - Ending (a)	$ 7,212,642	$ 7,791,072	$ 7,858,227
Plan Fiduciary Net Position			
Contributions - employer	$ 723,714	$ 707,605	$ 871,928
Net investment income	468,480	(797,671)	1,180,249
Benefit payments	(723,714)	(707,605)	(2,071,928)
Administrative expense	(8,350)	(8,971)	(9,360)
Net change in plan fiduciary net position	460,130	(806,642)	(29,111)
Plan Fiduciary Net Position - Beginning	5,796,692	6,603,334	6,632,445
Plan Fiduciary Net Position - Ending (b)	$ 6,256,822	$ 5,796,692	$ 6,603,334
Net OPEB Liability - Ending (a) - (b)	$ 955,820	$ 1,994,380	$ 1,254,893
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	86.75%	74.40%	84.03%
Covered Payroll	$ 18,623,354	$ 17,710,444	$ 17,152,972
Net OPEB Liability as a Percentage of Covered Payroll	5.13%	11.26%	7.32%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021

Note: In the future, as data becomes available, ten years of information will be presented.

	2020	2019*	2018
Total OPEB Liability			
Service cost	$ 369,880	$ 341,288	$ 321,697
Interest	654,615	674,127	629,553
Changes of benefit terms	-	(579,293)	-
Difference between expected and actual experience	(388,289)	(145,333)	-
Changes of assumptions	-	164,035	-
Benefit payments	(857,708)	(681,101)	(624,011)
Net change in total OPEB liability	(221,502)	(226,277)	327,239
Total OPEB Liability - Beginning	9,403,370	9,629,647	8,983,917
Total OPEB Liability - Ending (a)	$ 9,181,868	$ 9,403,370	$ 9,311,156
Plan Fiduciary Net Position			
Contributions - employer	$ 857,708	$ 101,139	$ 1,147,044
Net investment income	285,515	437,321	618,236
Benefit payments	(857,708)	(2,701,139)	(624,011)
Administrative expense	(9,448)	(5,867)	-
Net change in plan fiduciary net position	276,067	(2,168,546)	1,141,269
Plan Fiduciary Net Position - Beginning	6,356,378	8,524,924	6,328,859
Plan Fiduciary Net Position - Ending (b)	$ 6,632,445	$ 6,356,378	$ 7,470,128
Net OPEB Liability - Ending (a) - (b)	$ 2,549,423	$ 3,046,992	$ 1,841,028
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	72.23%	67.60%	80.23%
Covered Payroll	$ 18,533,812	$ 17,993,992	$ 16,532,000
Net OPEB Liability as a Percentage of Covered Payroll	13.76%	16.93%	11.14%
Measurement Date	June 30, 2020	June 30, 2019*	June 30, 2018

* An actuarial determination of the total OPEB liability with a measurement period ending on June 30, 2018 was not prepared. Therefore, the beginning balances for the fiscal year 2019 does not agree to the ending balances for fiscal year 2018.

Note: In the future, as data becomes available, ten years of information will be presented.

	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	7.94%	-12.22%	20.20%	4.40%	5.90%	7.00%

Note: In the future, as data becomes available, ten years of information will be presented.

Year ended June 30,	2023	2022	2021	2020	2019
Proportion of the net OPEB liability	0.0311%	0.0329%	0.0420%	0.0463%	0.0459%
Proportionate share of the net OPEB liability	$ 102,318	$ 131,156	$ 177,850	$ 172,261	$ 175,533
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.94%	-0.80%	-0.71%	-0.81%	-0.40%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Year ended June 30,	2018
Proportion of the net OPEB liability	0.0434%
Proportionate share of the net OPEB liability	$ 191,880
Covered payroll	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Measurement Date	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

	2023	2022	2021	2020	2019
CalSTRS					
Proportion of the net pension liability	0.0207%	0.0219%	0.0241%	0.0261%	0.0255%
Proportionate share of the net pension liability	$ 14,380,978	$ 9,955,121	$ 23,340,474	$ 23,616,411	$ 23,895,820
State's proportionate share of the net pension liability associated with the District	7,201,938	5,009,031	12,032,017	12,884,329	13,444,491
Total	$ 21,582,916	$ 14,964,152	$ 35,372,491	$ 36,500,740	$ 37,340,311
Covered payroll	$ 11,647,027	$ 16,531,053	$ 13,010,784	$ 15,101,069	$ 13,933,853
Proportionate share of the net pension liability as a percentage of its covered payroll	123.47%	60.22%	179.39%	156.39%	171.49%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS					
Proportion of the net pension liability	0.0667%	0.0726%	0.0765%	0.0789%	0.0793%
Proportionate share of the net pension liability	$ 22,950,347	$ 14,764,616	$ 23,486,440	$ 23,008,658	$ 21,138,544
Covered payroll	$ 10,089,450	$ 10,242,720	$ 10,871,026	$ 10,872,993	$ 10,380,227
Proportionate share of the net pension liability as a percentage of its covered payroll	227.47%	144.15%	216.05%	211.61%	203.64%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Note: In the future, as data becomes available, ten years of information will be presented.

	2018	2017	2016	2015
CalSTRS				
Proportion of the net pension liability	0.0240%	0.0240%	0.0240%	0.0250%
Proportionate share of the net pension liability	$ 22,195,200	$ 19,411,440	$ 16,157,760	$ 14,609,250
State's proportionate share of the net pension liability associated with the District	13,119,823	10,881,561	8,702,245	8,896,441
Total	$ 35,315,023	$ 30,293,001	$ 24,860,005	$ 23,505,691
Covered payroll	$ 12,811,971	$ 12,011,603	$ 11,430,158	$ 7,708,655
Proportionate share of the net pension liability as a percentage of its covered payroll	173.24%	161.61%	141.36%	189.52%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS				
Proportion of the net pension liability	0.0690%	0.0704%	0.0729%	0.0726%
Proportionate share of the net pension liability	$ 16,479,490	$ 13,904,044	$ 10,745,532	$ 8,241,868
Covered payroll	$ 8,756,034	$ 8,487,347	$ 8,155,186	$ 6,798,379
Proportionate share of the net pension liability as a percentage of its covered payroll	188.21%	163.82%	131.76%	121.23%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

	2023	2022	2021	2020	2019
CalSTRS					
Contractually required contribution	$ 2,380,763	$ 1,970,677	$ 2,669,765	$ 2,224,844	$ 2,458,454
Contributions in relation to the contractually required contribution	(2,380,763)	(1,970,677)	(2,669,765)	(2,224,844)	(2,458,454)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 12,464,728	$ 11,647,027	$ 16,531,053	$ 13,010,784	$ 15,101,069
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%
CalPERS					
Contractually required contribution	$ 2,740,670	$ 2,311,493	$ 2,120,243	$ 2,143,875	$ 1,963,880
Contributions in relation to the contractually required contribution	(2,740,670)	(2,311,493)	(2,120,243)	(2,143,875)	(1,963,880)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 10,802,799	$ 10,089,450	$ 10,242,720	$ 10,871,026	$ 10,872,993
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%

Note: In the future, as data becomes available, ten years of information will be presented.

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 2,010,655	$ 1,611,746	$ 1,288,845	$ 1,014,998
Contributions in relation to the contractually required contribution	(2,010,655)	(1,611,746)	(1,288,845)	(1,014,998)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 13,933,853	$ 12,811,971	$ 12,011,603	$ 11,430,158
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 1,612,153	$ 1,216,038	$ 1,005,496	$ 959,947
Contributions in relation to the contractually required contribution	(1,612,153)	(1,216,038)	(1,005,496)	(959,947)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 10,380,227	$ 8,756,034	$ 8,487,347	$ 8,155,186
Contributions as a percentage of covered payroll	15.531%	13.888%	11.847%	11.771%

Note: In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – Changes in benefit terms reflect a change in the District maximum contribution from 5.00% to 0.00% since the previous valuation.
- *Changes of Assumptions* – Changes of assumptions reflect a change in the healthcare trend rate from an initial rate of 6.25%, decreasing to an ultimate rate of 4.50% to an initial rate of 7.00%, decreasing to an ultimate rate of 4.50%, the discount rate was changed from 7.00% to 5.16%, the investment rate of return was changed from 7.00% to 5.25%, and an increasing of the average salary increase rate from 3.25% to 2.80% since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the state's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2023

Gavilan Joint Community College District

Gavilan Joint Community College District was established in 1963. The District's boundaries covers virtually all of San Benito County and the southern portion of Santa Clara County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

Board of Trustees as of June 30, 2023

Member	Office	Term Expires
Jeanie Wallace	President	2026
Rachel Perez	Vice President	2024
Patricia Mondragón	Clerk	2024
Irma C. González	Trustee	2026
Dr. Gabriel Gutierrez	Trustee	2026
Kathy Chavez-Napoli	Trustee	2026
Alicia Cortez	Trustee	2024
Jonathan Tessmann	Student Trustee	2024

Administration as of June 30, 2023

Dr. Pedro Avila	Superintendent/President
Dr. Renee Craig-Marius	Executive Vice President, Educational Programs and Services
Marilyn Morikang	Vice President, Administrative Services

Auxiliary Organizations in Good Standing

Gavilan College Educational Foundation, established 1994
Master Operating Agreement revised July 1, 2020
Tony Marandos, Board President

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 5,037,880
Federal Direct Student Loans	84.268		60,361
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		119,400
Federal Work-Study Program	84.033		76,570
Federal Work-Study Program Administrative Allowance	84.033		3,708
Subtotal Student Financial Assistance Cluster			5,297,919
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		1,332,550
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		999,646
Subtotal			2,332,196
Enacting Servingness	84.031S		922,849
Juntos Avanzamos - Mobilizing Gavilan's Ethos of Care	84.031S		552,723
Subtotal			1,475,572
Passed through California Department of Rehabilitation			
State Vocational Rehabilitation Services	84.126A	31143	301,527
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	22-C01-440	162,478
Total U.S. Department of Education			9,569,692
U.S. Department of Veteran's Affairs			
Survivors and Dependents Educational Assistance	64.117		4,634
Total U.S. Department of Veteran's Affairs			4,634
U.S. Department of the Treasury			
Passed through California Community Colleges Chancellor's Office			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	68,000
Total U.S. Department of the Treasury			68,000
U.S. Department of Agriculture			
SNAP Cluster			
Passed through The Foundation for California Community Colleges			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	2467	277,710
Subtotal SNAP Cluster			277,710
Total U.S. Department of Agriculture			277,710
U.S. Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	53,869
Total U.S. Department of Health and Human Services			53,869
Total Federal Financial Assistance			$ 9,973,905

[1] Pass-Through Entity Identifying Number not available.

See Note to Supplementary Information

Program	Program Revenues Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total Revenue	Program Expenditures
AB 19 California Promise	$ 539,708	$ -	$ 238,661	$ 301,047	$ 301,047
AB104 Adult Education	721,659	-	159,723	561,936	561,936
D.S.P.S.	922,733	-	206,276	716,457	716,457
Basic Needs Center	399,283	-	356,646	42,637	42,637
Cal Grant A	33,750	-	-	33,750	33,750
Cal Grant B	662,607	228,926	-	891,533	891,533
Cal Grant C	1,916	-	-	1,916	1,916
CalWorks State Welfare Reform	414,659	-	175,491	239,168	239,168
CARE	290,697	-	38,379	252,318	252,318
Classified PD - Chancellor	23,537	-	23,537	-	-
COVID-19 Recovery Block Grant	2,718,675	-	2,518,675	200,000	200,000
EOPS	1,110,162	-	97,473	1,012,689	1,012,689
EOPS Carry Over	18,000	-	-	18,000	18,000
Emergency Financial Assistance Supplement	75,290	-	-	75,290	75,290
Equal Employment Opportunity	212,323	-	156,847	55,476	55,476
EEO Best Practices	208,333	-	132,537	75,796	75,796
Financial Aid Technology	229,058	-	184,670	44,388	44,388
Guided Pathways	299,291	-	156,081	143,210	143,210
Learning-Aligned Employment Program	1,073,305	-	1,072,117	1,188	1,188
LGBTQ+	63,888	-	48,718	15,170	15,170
Mental Health Support	331,929	-	147,305	184,624	184,624
MESA	463,282	-	405,343	57,939	57,939
MESA Prior year carry over	139,416	-	119,048	20,368	20,368
Next Up	104,647	-	88,317	16,330	16,330
Rapid Rehousing	930,282	-	210,585	719,697	719,697

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total Revenue	Program Expenditures
Retention and Enrollment Outreach	$ 1,667,890	$ -	$ 1,417,633	$ 250,257	$ 250,257
RN Enrollment Growth	273,987	-	53,506	220,481	220,481
S.F.A.A. - BFAP-Financial Aid	289,622	-	-	289,622	289,622
Local - Strong Workforce	1,718,061	-	1,031,809	686,252	686,252
Regional Strong Workforce Program	380,249	-	13,071	367,178	367,178
Student Equity and Achievement Program	2,791,259	-	914,220	1,877,039	1,877,039
Student Food and Housing Support	383,237	-	233,279	149,958	149,958
Student Success Completion Grant	1,370,530	-	355,739	1,014,791	1,014,791
Technology and Data Security	350,000	-	350,000	-	-
Undocumented Resource Liaisons	195,890	-	87,324	108,566	108,566
Veteran's Resource Center	81,697	-	8,368	73,329	73,329
Zero Textbook Cost Program	200,000	-	192,998	7,002	7,002
Total state programs	$ 21,690,852	$ 228,926	$ 11,194,376	$ 10,725,402	$ 10,725,402

CATEGORIES	**Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit*	80.33	-	80.33
2. Credit	375.18	-	375.18
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit*	0.24	-	0.24
2. Credit	7.28	-	7.28
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	738.66	-	738.66
(b) Daily Census Contact Hours	95.13	-	95.13
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	329.73	-	329.73
(b) Credit	546.71	-	546.71
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,711.20	-	1,711.20
(b) Daily Census Procedure Courses	195.90	-	195.90
(c) Noncredit Independent Study/Distance Education Courses	163.42	-	163.42
D. Total FTES	4,243.78	-	4,243.78
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	153.09	-	153.09
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	256.12	-	256.12
2. Credit	98.90	-	98.90
CCFS-320 Addendum			
CDCP Noncredit FTES	257.11	-	257.11

*Including Career Development and College Preparation (CDCP) FTES.
**Annual report revied as of October 31, 2023.

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 5,446,294	$ -	$ 5,446,294	$ 5,446,294	$ -	$ 5,446,294
Other	1300	5,169,512	-	5,169,512	5,169,512	-	5,169,512
Total Instructional Salaries		10,615,806	-	10,615,806	10,615,806	-	10,615,806
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,114,290	-	2,114,290
Other	1400	-	-	-	643,451	-	643,451
Total Noninstructional Salaries		-	-	-	2,757,741	-	2,757,741
Total Academic Salaries		10,615,806	-	10,615,806	13,373,547	-	13,373,547
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	6,028,324	-	6,028,324
Other	2300	-	-	-	420,172	-	420,172
Total Noninstructional Salaries		-	-	-	6,448,496	-	6,448,496
Instructional Aides							
Regular Status	2200	449,891	-	449,891	450,641	-	450,641
Other	2400	122,397	-	122,397	122,397	-	122,397
Total Instructional Aides		572,288	-	572,288	573,038	-	573,038
Total Classified Salaries		572,288	-	572,288	7,021,534	-	7,021,534
Employee Benefits	3000	4,371,074	-	4,371,074	9,616,676	-	9,616,676
Supplies and Material	4000	-	-	-	303,955	-	303,955
Other Operating Expenses	5000	1,316,645	-	1,316,645	4,119,189	-	4,119,189
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		16,875,813	-	16,875,813	34,434,901	-	34,434,901

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 400,000	$ -	$ 400,000
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	72,937	-	72,937
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	415,874	-	415,874
Objects to Exclude							
Rents and Leases	5060	-	-	-	322,779	-	322,779
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,174,796	$ -	$ 1,174,796
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	2,386,386	-	2,386,386
Total for ECS 84362, 50% Law		$ 16,875,813	$ -	$ 16,875,813	$ 32,048,515	$ -	$ 32,048,515
% of CEE (Instructional Salary Cost/Total CEE)		52.66%		52.66%	100.00%		100.00%
50% of Current Expense of Education					$ 16,024,258		$ 16,024,258

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				$ 2,576,864
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 2,576,864	$ -	$ -	$ 2,576,864
Total Expenditures for EPA		$ 2,576,864	$ -	$ -	$ 2,576,864
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 14,817,793	
Special Revenue Funds	320,745	
Capital Project Funds	108,731,117	
Debt Service Funds	14,875,542	
Internal Service Funds	71	
Total fund balance - all District funds		$ 138,745,268
In governmental funds, long-term receivables are recognized in the period when it is received. On the government-wide statements, long-term receivables are recognized when they are incurred.		337,871
Capital assets, right-to-use leased assets, and right-to-use subscription IT 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	181,452,275	
Accumulated depreciation is	(48,675,834)	
The cost of right-to-use leased assets is	600,240	
Accumulated amortization is	(150,749)	
The cost of right-to-use subscription IT assets is	4,404,629	
Accumulated amortization is	(2,610,124)	
Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net		135,020,437
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to debt refunding	4,659,553	
Deferred outflows of resources related to OPEB	581,698	
Deferred outflows of resources related to pensions	10,464,347	
Total deferred outflows of resources		15,705,598
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,812,086)

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:		
General obligation bonds	$ (207,352,937)	
Leases	(491,552)	
Subscription-based IT arrangements	(1,806,557)	
Compensated absences	(951,690)	
Early retirement incentive	(200,200)	
Aggregate net other postemployment benefits (OPEB) liability	(1,058,138)	
Aggregate net pension liability	(37,331,325)	
Total long-term liabilities		$ (249,192,399)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.		
Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to OPEB	(1,945,372)	
Deferred inflows of resources related to pensions	(8,156,254)	
Total deferred inflows of resources		(10,101,626)
Total net position		$ 27,703,063

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing as of June 30, 2023.

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies
Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the 10% de minimis cost rate.

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. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

Education Code Section 84362 requires the District to expend a minimum of 50% of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA revenues and summarizes the expenditures of EPA funds.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Independent Auditor’s Reports
June 30, 2023

Gavilan Joint Community College District

Independent Auditor's 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*

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

We have audited, 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 (*Government Auditing Standards*), the financial statements of the business-type activities and the remaining fund information of Gavilan Joint Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2023.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 14 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2023

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gavilan Joint Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gavilan Joint Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District 's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District 's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2023

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited Gavilan Joint Community College District's compliance with the types of compliance requirements described in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2023.

Opinion

In our opinion, Gavilan Joint Community College District (the District) complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table below that were audited for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the standards and procedures identified in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 494	State Fiscal Recovery Fund
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds programs for Funding; therefore, the compliance requirements within this section were not applicable.

The District received no funding through Propositions 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

Gavilan Joint Community College District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for state programs	Unmodified

None reported.

The following finding represents a significant deficiency and an instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2023-001 Special Tests and Provisions – Enrollment Reporting

Program Name: Student Financial Assistance Cluster
Assistance Listing Number: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirements

OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct Loan programs via the National Student Loan Data System (NSLDS).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institutions' Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information: "Campus Level" and "Program Level", both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition

Significant Deficiency in Internal Control over Compliance – During testing over the NSLDS reporting requirements, the following deficiencies were noted:

- 20 of the 35 students we tested did not have their enrollment information for the Spring 2023 term reported to NSLDS.

Questioned Costs

There were no questioned costs associated with the noncompliance.

Context

The District disbursed federal financial aid to approximately 1,300 students in the 2022-2023 fiscal year that required student enrollment and program enrollment reporting to NSLDS. A sample of 35 students were selected for testing.

Effect

The District is not in compliance with the federal enrollment reporting requirements described in the OMB Compliance Supplement.

Cause

The District did not report enrollment information for students under the Pell grant and Direct and FFEL loan programs via NSLDS timely and accurately. The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions.

Repeat Finding: (Yes or No)

No

Recommendation

The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Views of Responsible Officials and Corrective Action Plan

Gavilan's current process in submitting enrollment files to NSC involves a collaboration between two departments: Admissions and Records and Information Technology. During this period, primarily in Spring 2023, the two parties experienced a miscommunication between which file contained the current enrollment data versus which file was being submitted to NSC. Admissions and Records mistakenly submitted 4 incorrect files.

Since, Admissions and Records has worked with IT to update procedures and strengthen communication when collecting the current enrollment data. To further correct the deficiency, discussions circled around Admissions and records working with a Banner Ellucian Consultant to review our Banner capabilities and strengthen the user control to oversee and submit the enrollment reports independent of IT' s assistance.

Admissions and Records will also develop a written manual to cover the step-by-step process in submitting the School Enrollment Transmission to National Student Clearinghouse in order for the correct NSLDS monitoring. The written manual will document:

- Banner pages and strokes, including screen shots.
- Current IT process, point of contact and file name
- Link to future transmission page on the National Student Clearinghouse user page
- Link to NSDLS Reporting page to validate and confirm correct submissions have been reported.

The Director of Admissions and Records will coordinate business practices with Admissions and Records, Financial Aid and IT to ensure the school enrollment transmissions are submitted on time and are correct. The business process will be documented by Admissions and Records and shared with Financial Aid, IT, and the VP of Student Services

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

GAVILAN COLLEGE
ADMISSIONS AND RECORDS
5055 Santa Teresa Boulevard • Gilroy, CA 95020 • (408) 848-4800 • www.gavilan.edu

Eide Bailly LLP: 22/23 Audit Report

Audit Finding: District *must report that change to NSLDS within a certain time period from the date of the change. We found that this process was simply not done for a period in Spring 2023.*

Gavilan College is committed to addressing the NSDLS deficiency raised by Eide Bailly LLP. Admissions and Records agrees to improve the School Enrollment Transmission process to National Student Clearinghouse.

What should be done to correct the issue?

The previous Financial Aid Interim Director and The Admissions and Records staff responsible for submitting the enrollment reports to NSC met with Rebecca Kerber (auditor) on 7/28/23 to discuss the Clearinghouse finding (delayed reporting).
During this meeting, the discovery was made that the file that was being sent to NSC between March 2023 and August 2023 was outdated and did not contain the current enrollment statuses.

Gavilan's current process in submitting enrollment files to NSC involves a collaboration between two departments: Admissions and Records and Information Technology. During this period, primarily in Spring 2023, the two parties experienced a miscommunication between which file contained the current enrollment data versus which file was being submitted to NSC.
Admissions and Records mistakenly submitted 4 incorrect files.

Since, Admissions and Records has worked with IT to update procedures and strengthen communication when collecting the current enrollment data. To further correct the deficiency, discussions circled around Admissions and records working with a Banner Ellucian Consultant to review our Banner capabilities and strengthen the user control to oversee and submit the enrollment reports independent of IT's assistance.

Admissions and Records will also develop a written manual to cover the step-by-step process in submitting the School Enrollment Transmission to National Student Clearinghouse in order for the correct NSLDS monitoring. The written manual will document:

- Banner pages and strokes, including screen shots.
- Current IT process, point of contact and file name
- Link to future transmission page on the National Student Clearinghouse user page
- Link to NSDLS Reporting page to validate and confirm correct submissions have been reported.

Who should be responsible for implementing these corrective actions?

The Director of Admissions and Records will coordinate business practices with Admissions and Records, Financial Aid and IT to ensure the school enrollment transmissions are submitted on time and are correct. The business process will be documented by Admissions and Records and shared with Financial Aid, IT, and the VP of Student Services.

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When and **how often** should the corrective actions be carried out?

Based off the future Student Clearinghouse transmission dates and by following the manual, Admissions and Records will ensure enrollment submissions are correct and on time.
The manual will be reviewed, and necessary updates will be made on an annual cycle.

Where should the corrective action documentation take place?

Confirmation of all active enrollment reporting can be found and reviewed on the National Student Clearinghouse site. Two years of enrollment submissions are available for historical validation.

How can we make sure that these corrective actions prevent recurrence?

Continued review of the process and any policy changes will be shared with the Admissions and Records staff through regular training sessions.