

GAVILAN JOINT COMMUNITY COLLEGE DISTRICT Communications With Those Charged With Governance

Submitted by

Gilbert Associates, Inc.

We have audited the financial statements of the Gavilan Joint Community College District (the District), Gavilan College Educational Foundation (the Foundation), and Measure E Bond Construction Fund (Bond Fund) for the year ended June 30, 2016. Professional standards require that we provide you with the following information related to our audit. We are providing the District's Board of Trustees (Board) with information regarding the scope and results of the audit to assist the Board in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the District's Board of Trustees, the Foundation's Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

March 6, 2017



Gilbert Associates, Inc.
CPAs and Advisors

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MANAGEMENT AND AUDITOR RESPONSIBILITIES

Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS), Government Auditing Standards, Uniform Guidance and the Contracted District Audit Manual.

The financial statements are the responsibility of management. As stated in our engagement contract, our responsibility is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

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

Also in accordance with Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the OMB Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

We issued unmodified opinions on the financial statements of the District, Foundation, and Bond Fund for the year ended June 30, 2016.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

<p>Significant Accounting Policies</p> <p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our amended engagement contract, we will advise management about the appropriateness of accounting policies and their application.</p>	<p>The significant accounting policies used by the District, Foundation, and Bond Fund are described in the notes to the financial statements.</p> <p>We noted no transactions entered into by the District, Foundation, or Bond Fund during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p>
<p>Management Judgments and Accounting Estimates</p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.</p>	<p>The most sensitive estimates affecting the District's, Foundation's, and Bond Fund's financial statements were:</p> <ul style="list-style-type: none"> • Management's estimate of the selection of useful lives and related depreciation expense of capital assets is based on management's estimate of how long certain capitalized assets will remain useful. • Management's estimate of the valuation of other postemployment liability is based on actuarial projections. • Management's estimate of the collectability of accounts receivable related to total computational revenue (revenue from property taxes, enrollment fees, and State apportionment) is based on historical experience and projections provided by the State Chancellor's Office. • The estimate of the net pension liability and related deferred inflows and outflows of resources is based upon the District's proportionate allocation of the CalSTRS and CalPERS plan pension amounts as of the June 30, 2015 measurement date. CalSTRS and CalPERS calculates the net pension liability for all participating agencies in total by reducing the total pension liability (actuarially-determined by rolling-forward obligations from the June 30, 2014 actuarial valuation using standard update procedures) by the respective plan's fiduciary net position as of the measurement date. These amounts are allocated to the District and other participating agencies based on their proportionate share of contributions to the CalSTRS and CalPERS plans during the measurement period. <p>We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, the related financial statement disclosures are neutral, consistent, and clear.</p>

INTERACTIONS WITH MANAGEMENT

Planned Scope and Timing of the Audit	We performed the audit according to the planned scope previously communicated in our engagement contract; however, the timing was extended due to delays in the closing process.
Management Consultations with Other Independent Accountants In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	To our knowledge, there were no such consultations with other accountants.
Disagreements with Management For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report.	We are pleased to report that no such disagreements arose during the course of our audit.
Management Representations	We will request certain representations from management in a letter to us.
Difficulties Encountered in Performing the Audit	We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were very cooperative.

OTHER MATTERS

<p>Other Audit Findings or Issues</p>	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p> <p>Certain internal control and compliance findings were included in the Schedule of Audit Findings and Questioned Costs, which accompanies the District's basic financial statements.</p>
<p>Corrected and Uncorrected Misstatements</p> <p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.</p>	<p>As part of the audit, we identified adjustments to the District's financial statements. The attached schedule summarizes these misstatements identified and recorded by the District as a result of the audit.</p>

SUPPLEMENTARY INFORMATION

Required Supplementary Information

Government Accounting Standards Board (GASB) requires certain supplementary information to accompany the District's basic financial statements to be in conformity with generally accepted accounting principles. Such information has been subjected to limited procedures such as inquiries of management about the methods of preparing the information and comparing the information for consistency with the basic financial statements, however, we do not express an opinion because of the limited nature of our procedures.

The following required supplementary information is required to accompany the District's basic financial statements and subjected to limited procedures, but no opinion has been expressed:

- Management's Discussion and Analysis
- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of the District's Contributions

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The supplementary information section as listed in the table of contents is presented for the purpose of Uniform Guidance, and the *Contracted District Audit Manual* and in our opinion is fairly stated in all material respects in relation to the financial statements as a whole.

We were not engaged to report on the additional information section, which accompanies the District's financial statements but is not supplementary information or required supplementary information. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

**Schedule of Corrected Misstatements
Gavilan Joint Community College District
June 30, 2016**

Account	Account Description	Debit	Credit
Fund 100 – General Fund			
Journal Entry # 1			
To increase cash and reduce accounts receivable for amounts received prior to fiscal year end.			
9122	Cash Clearing	\$ 6,699	
9160	Accounts Receivable		\$ 440
9165	A/R Student		6,259
Total		<u>\$ 6,699</u>	<u>\$ 6,699</u>
Journal Entry # 2			
To reduce accounts receivable and unearned revenue for fiscal year 2017 receivables posted in the current year.			
9542	Deferred Enrollment	\$ 1,173,582	
9165	A/R Student		\$ 1,173,582
Total		<u>\$ 1,173,582</u>	<u>\$ 1,173,582</u>
Fund 210 – Debt Service Fund			
Journal Entry # 1			
To properly present Debt Service Interest Payments.			
7100	Debt Service	\$ 230,000	
7139	Debt Service Interest Payment		\$ 229,069
8860	Interest Income		931
Total		<u>\$ 230,000</u>	<u>\$ 230,000</u>

Account	Account Description	Debit	Credit
Fund 270 – Restricted Fund			
Journal Entry # 1			
To properly reduce revenue that was incorrectly posted in intrafund activity.			
8625	Cal Work Grant – Welfare Reform	\$ 119,925	
8985	Intrafund Transfers/Income		\$ 119,925
Total		\$ 119,925	\$ 119,925
Journal Entry # 2			
To increase cash and reduce accounts receivable for amounts received prior to fiscal year end.			
^9125	Restricted cash, noncurrent	\$ 105,172	
9160	Accounts Receivable		\$ 105,172
Total		\$ 105,172	\$ 105,172
Journal Entry # 3			
To move expense from “Contracted Svcs/Non-Instructional” into “Fixed Assets over 5000” to properly record as Construction in Progress (CIP).			
6405	Fixed Assets over 5000	\$ 6,053	
5831	Contracted Svcs/Non-Instructional		\$ 6,053
Total		\$ 6,053	\$ 6,053
Fund 340 – Capital Outlay Fund			
Journal Entry # 1			
To move expense from “Contracted Svcs/Non-Instructional” into “Fixed Assets over 5000” to properly record as CIP.			
6405	Fixed Assets over 5000	\$ 408,947	
5831	Contracted Svcs/Non-Instructional		\$ 408,947
Total		\$ 408,947	\$ 408,947

Account	Account Description	Debit	Credit
Fund 480 – Student Financial Aid Fund			
Journal Entry # 1			
To correct accounts receivable improperly posted to unearned revenue.			
9165	Student Accounts Receivable	\$ 200,300	
^9190	Unearned Revenue		\$ 200,300
Total		\$ 200,300	\$ 200,300
Journal Entry # 2			
To properly remove Pell grant revenue and expenses applicable to fiscal year end 2017.			
8150	PELL	\$ 80,358	
9504	Accrued Payables	80,491	
7510	Financial Aid		\$ 80,491
9160	Accounts Receivable		80,358
Total		\$ 160,849	\$ 160,849
Fund 600 – Measure E Fund			
Journal Entry # 1			
To move expense from “Administrative Fee” into “Fixed Assets over 5000” to properly record as CIP.			
6405	Fixed Assets over 5000	\$ 235,943	
5825	Administrative Fee		\$ 235,943
Total		\$ 235,943	\$ 235,943
Journal Entry # 2			
To properly record lease receivable and unavailable revenue related to portables leased to Gilroy USD.			
^9180	Lease Receivable	\$ 495,546	
^9190	Unavailable Revenue		\$ 495,546
Total		\$ 495,546	\$ 495,546

Account	Account Description	Debit	Credit
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Full Accrual GASB 35 Statements

Entry # 1

To correct capitalized Construction in Progress (CIP) for items improperly coded to “Contracted Svcs/Non-Instructional” and “Administrative Fee”.

^9400.2	CIP	\$ 650,943	
6405	Fixed Assets over 5000		\$ 650,943
Total		\$ 650,943	\$ 650,943