

## 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 (the Bond Fund) for the year ended June 30, 2018. Professional standards require that we provide you with information related to our audit. We are providing the District's Board of Trustees (the 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 4, 2019



**Gilbert Associates, Inc.**  
CPAs and Advisors

*Relax. We got this.™*

# 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, 2018.

# QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

<p><b>Significant Accounting Policies</b></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 Note 2 to the financial statements.</p> <p>As described in Note 2 to the District’s financial statements, the District implemented GASB Statement No. 75 (GASB 75), <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>. The implementation of GASB 75 required retroactive application and resulted in a reduction of beginning net position of \$1,735,281.</p> <p>We noted no transactions entered into by the District, Foundation, and 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><b>Management Judgments and Accounting Estimates</b></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 and disclosures affecting the District’s, Foundation’s, and Bond Fund’s financial statements were:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Management’s estimate of the liability 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.</li> <li>• 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, 2017 measurement date. CalSTRS and CalPERS calculates the net pension liability for all participating agencies in total by reducing the total pension liability 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.</li> <li>• The District’s Net OPEB Liability (NOL) and related deferred outflows and inflows of resources are measured as of June 30, 2017. The Total OPEB Liability (TOL) used to determine the NOL was determined by an actuarial valuation as of June 30, 2017.</li> </ul> <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

<b>Planned Scope and Timing of the Audit</b>	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.
<b>Management Consultations with Other Independent Accountants</b>  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.
<b>Disagreements with Management</b>  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.
<b>Management Representations</b>	We requested and received certain representations from management in a letter to us.
<b>Difficulties Encountered in Performing the Audit</b>	We encountered no difficulties in dealing with management in performing our audit; however, the District’s financial close was not prepared timely which caused delays in completing the audit.

# OTHER MATTERS

<p><b>Other Audit Findings or Issues</b></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 identified and included in the Schedule of Audit Findings and Questioned Costs, which accompanies the District's basic financial statements. Below is a summary of the findings:</p> <ul style="list-style-type: none"><li>• Financial closing process: Accounting closing process not prepared adequately or timely. Adjustments to numerous financial statement accounts were necessary based on auditor inquiries.</li><li>• Federal compliance: Higher Education (STEM) payroll costs were allocated to the program based on budgeted costs and not actual in ten of the twenty-five selections tested.</li><li>• State compliance: Testing of Alternative Attendance, Actual Hours of Attendance, and Daily Census Courses identified overreported and underreported reported attendance.</li></ul>
<p><b>Corrected and Uncorrected Misstatements</b></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>Misstatements were detected as a result of audit procedures/inquires and were corrected by management in the following financial statement areas: cash, accounts receivables, unearned revenue, liabilities, revenues, expenses, and debt service interest.</p> <p>The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p> <p>Additionally, we prepared the District's GASB 68 pension and GASB 75 OPEB analysis calculations and disclosures, debt refunding calculation and entries related to the District's 2017 GO Bond Refunding, and the conversion entries for the District to present financial statements in accordance GASB 34/35. These are considered non-audit services however, District personnel review and approve for appropriateness.</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 Changes in the District's Net OPEB Liability and Related Ratios
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of the District's Pension 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 are fairly stated in all material respects 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.

**Gavilan Joint Community College District**  
**Summary of Passed Audit Adjustments**  
**June 30, 2018**

Account	Description	Debit	Credit
<b>Proposed Journal Entries</b>			
To properly accrue liabilities/expenses for services during FY18 that were paid in FY19.			
5100	Contracted Instructional Services	\$ 213,338	
9510	Accounts Payable		\$ 213,338
<b>Total</b>		<b><u>\$ 213,338</u></b>	<b><u>\$ 213,338</u></b>
<b>Proposed Journal Entries JE # 304</b>			
To reverse the receivable booked as of 6/30/18 that was received prior to year-end.			
8858	JPA - Police Academy	\$ 82,781	
9168	A/R Admissions Non-Student		\$ 82,781
<b>Total</b>		<b><u>\$ 82,781</u></b>	<b><u>\$ 82,781</u></b>
<b>Proposed Journal Entries JE # 305</b>			
To defer revenue associated with instructional equipment grant not earned as of 6/30/18.			
8650	Instructional Equip - Ongoing	\$ 297,427	
9549	Deferred Income		\$ 297,427
<b>Total</b>		<b><u>\$ 297,427</u></b>	<b><u>\$ 297,427</u></b>
<b>Proposed Journal Entries JE # 306</b>			
To correct deferred revenue related to BOG Waiver.			
9537	Deferred Institutional Fees	\$ 82,997	
8873	Board of Governors (BOG)		\$ 82,997
<b>Total</b>		<b><u>\$ 82,997</u></b>	<b><u>\$ 82,997</u></b>
<b>Proposed Journal Entries JE # 307</b>			
To accrue payable in General Fund for Center Fees in Fund 660.			
9548	Deferred Use Fee	\$ 22,665	
9510	Accounts Payable		\$ 22,665
<b>Total</b>		<b><u>\$ 22,665</u></b>	<b><u>\$ 22,665</u></b>
<b>Proposed Journal Entries JE # 308</b>			
To adjust Pell Grant activity that occurred in FY18 per final FISAP.			
7510	Financial Aid	\$ 262,305	
9160	Accounts Receivable	262,305	
8150	Student Financial Aid		\$ 262,305
9504	Accrued Payables		262,305
<b>Total</b>		<b><u>\$ 524,610</u></b>	<b><u>\$ 524,610</u></b>