



Financial and Performance Audits
Bond Construction Fund (Measure X)
June 30, 2023

Gavilan Joint
Community College District

Gavilan Joint Community College District
Bond Construction Fund (Measure X)

Table of Contents

June 30, 2023

Financial Audit

Independent Auditor's Report	1
------------------------------------	---

Financial Statements

Balance Sheet	4
---------------------	---

Statement of Revenues, Expenditures, and Changes in Fund Balance	5
--	---

Notes to Financial Statements	6
-------------------------------------	---

Independent Auditor's Report

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 <i>Government Auditing Standards</i>	10
---	----

Schedule of Findings and Questioned Costs

Financial Statement Findings	12
------------------------------------	----

Summary Schedule of Prior Audit Findings.....	13
---	----

Performance Audit

Independent Auditor's Report on Performance	14
---	----

Purpose	15
---------------	----

Authority	15
-----------------	----

Objectives of the Audit	16
-------------------------------	----

Scope of the Audit	16
--------------------------	----

Methodology	16
-------------------	----

Audit Results	17
---------------------	----

Findings, Recommendations, and Views of Responsible Officials	19
---	----



Financial Audit

Bond Construction Fund (Measure X)

June 30, 2023

Gavilan Joint

Community College District



Independent Auditor's Report

To the Board of Trustees and Citizens' Bond Oversight Committee
Gavilan Joint Community College District
Gilroy, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bond Construction Fund (Measure X) of Gavilan Joint Community College District, as of and for the year ended June 30, 2023, and the related notes to the 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 financial position of the Bond Construction Fund (Measure X) of Gavilan Joint Community College District (the District), as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Construction Fund (Measure X), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is 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.

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 opinion. 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.

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.

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 Bond Construction Fund (Measure X) 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 Bond Construction Fund (Measure X) 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 Bond Construction Fund (Measure X) of the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 4, 2023

Gavilan Joint Community College District
Bond Construction Fund (Measure X)
Balance Sheet
June 30, 2023

Assets	
Investments	<u>\$ 102,884,823</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 1,970,859</u>
Fund Balance	
Restricted for capital projects	<u>100,913,964</u>
Total liabilities and fund balance	<u><u>\$ 102,884,823</u></u>

Gavilan Joint Community College District
Bond Construction Fund (Measure X)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended June 30, 2023

Revenues	
Interest income	\$ 2,029,155
Local revenues	18,830
Change in fair market value of investments	<u>(534,297)</u>
Total revenues	<u>1,513,688</u>
Expenditures	
Salaries and benefits	29,390
Services and other operating expenditures	1,628,055
Capital outlay	<u>4,479,002</u>
Total expenditures	<u>6,136,447</u>
Net Change in Fund Balance	(4,622,759)
Fund Balance, Beginning	<u>105,536,723</u>
Fund Balance, Ending	<u><u>\$ 100,913,964</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Gavilan Joint Community College District's (the District) Bond Construction Fund (Measure X) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Bond Construction Fund (Measure X) accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges *Budget and Accounting Manual*.

Financial Reporting Entity

The financial statements include only the Bond Construction Fund of the District used to account for Measure X projects. This fund was established to account for the receipt of proceeds of general obligation bond issuances and expenditures of proceeds issued under Measure X. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Bond Construction Fund (Measure X) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Bond Construction Fund (Measure X) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance

As of June 30, 2023, the fund is classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Estimates

The preparation of 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 reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and those differences could be material.

Note 2 - 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 an 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. The District's investment in the County Treasury is measured at fair value on a recurring basis which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in the investment pool are not required to be categorized within the fair value hierarchy.

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

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 is 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 also manages its exposure to interest rate risk by investing in the Santa Clara County Investment Pool. The District maintains a Bond Construction Fund (Measure X) investment of \$102,884,823 with the Santa Clara County Investment Pool with an average weighted maturity of 648 days.

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. The District's investment in the Santa Clara County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2023.

Note 3 - Accounts Payable

Accounts payable at June 30, 2023, consist of the following:

Capital Projects	<u>\$ 1,970,859</u>
------------------	---------------------

Note 4 - Commitments and Contingencies

Construction Commitments

As of June 30, 2023, the Bond Construction Fund (Measure X) had approximately \$192.5 million in construction commitments with respect to unfinished capital projects.

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 Bond Construction Fund (Measure X) at June 30, 2023.



Independent Auditor's Report
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 and Citizens' Bond Oversight Committee
Gavilan Joint Community College District
Gilroy, California

We have audited, in accordance with the 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 Bond Construction Fund (Measure X) of the 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, and have issued our report thereon dated December 4, 2023.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Construction Fund (Measure X), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is 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 Bond Construction Fund (Measure X) 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Bond Construction Fund (Measure X) 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 result 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 4, 2023

None reported.

Gavilan Joint Community College District
Bond Construction Fund (Measure X)
Summary Schedule of Prior Audit Findings
June 30, 2023

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