

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, 2015. 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.

December 22, 2015



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*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and, as applicable, the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office.

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 internal controls 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 OMB Circular A-133.

As part of obtaining reasonable assurance about whether the 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 OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 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, 2015.

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>As described in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board Statements No. 68 and 71 during the fiscal year ending June 30, 2015. The implementation of GASB Statements 68 and 71 resulted in a reduction of beginning net position of \$27,282,189.</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, 2014 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, 2013 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 audits according to the planned scope and timing previously communicated in our engagement contract.
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 have requested certain representations from management that are included in letters 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 well prepared and 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 were identified. The attached schedule summarizes these misstatements identified.</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 inquires 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 U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office 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, 2015**

Account	Account Description	Debit	Credit
Adjusted Journal Entry # 1			
To record the amortization of the deferred amount on refunding.			
7139	Interest expense	\$ 264,888	
9299	Deferred amount on refunding		\$ 264,888
Total		<u>\$ 264,888</u>	<u>\$ 264,888</u>
Adjusted Journal Entry # 2			
To correct the net other postemployment benefits asset/liability.			
3000	Employee benefits expense	\$ 341,600	
9700	Beginning net position	1,334,626	
9145	Net other postemployment benefits asset/liability		\$ 1,676,226
Total		<u>\$ 1,676,226</u>	<u>\$ 1,676,226</u>
Adjusted Journal Entry # 3			
To correct capitalized interest recorded in the year ended June 30, 2014.			
9700	Beginning net position	\$ 1,302,682	
^9400.2	Construction in progress		\$ 1,302,682
Total		<u>\$ 1,302,682</u>	<u>\$ 1,302,682</u>
Adjusted Journal Entry # 4			
To correctly capitalize additions to construction in progress for capital outlay in the year ended June 30, 2015.			
^9400.2	Construction in progress	\$ 246,245	
5000	Supplies, materials, and other operating expenses and services		\$ 246,245
Total		<u>\$ 246,245</u>	<u>\$ 246,245</u>

Account	Account Description	Debit	Credit
Adjusted Journal Entry # 5			
To correctly capitalize beginning construction in progress for capital outlay in the year ended June 30, 2014.			
^9400.2	Construction in progress	\$ 2,126,096	
9700	Beginning net position		\$ 2,126,096
Total		\$ 2,126,096	\$ 2,126,096
Adjusted Journal Entry # 6			
To correct an error resulting in the double-counting of additions to construction in progress.			
5000	Supplies, materials, and other operating expenses and services	\$ 257,922	
^9400.2	Construction in progress		\$ 257,922
Total		\$ 257,922	\$ 257,922
Adjusted Journal Entry # 7			
To correctly record a disposal of capital assets for portables sold in the year ended June 30, 2015.			
^9401.4	Accumulated depreciation	\$ 24,234	
8895	Other local income	40,393	
^9400.4	Buildings and building improvements		\$ 64,627
Total		\$ 64,627	\$ 64,627
Adjusted Journal Entry # 8			
To correctly record a lease receivable for portables sold in the year ended June 30, 2014.			
^9180	Lease receivable	\$ 518,070	
8886	Rents and leases income	22,525	
9700	Beginning net position		\$ 540,595
Total		\$ 540,595	\$ 540,595

**Schedule of Corrected Misstatements
Gavilan Joint Community College District
Measure E Bond Construction Fund
June 30, 2015**

Account	Account Description	Debit	Credit
Adjusted Journal Entry # 1			
To correctly record a lease receivable for portables sold in the year ended June 30, 2014, and to accrue related payments that were deposited into the general fund.			
^9180	Lease receivable	\$ 518,070	
9170	Due from other funds	45,050	
^9190	Unavailable revenue		\$ 518,070
9700	Restricted fund balance		22,525
8886	Rents and leases income		22,525
Total		<u>\$ 563,120</u>	<u>\$ 563,120</u>