



Measure X Citizens' Bond Oversight Committee

# ANNUAL REPORT

## 2022-2023



San Benito County Campus  
Groundbreaking Ceremony  
June 16, 2023



# Letter from Committee Chair

To: The Board of Trustees and Citizens of the Gavilan Joint Community College District

In November of 2018, Gavilan Joint Community College District received strong community support with the passing of Measure X, a \$248 million general obligation bond initiative. The Measure X Citizens' Bond Oversight Committee is pleased to present its annual report on the progress of the district's bond program for the 2022-23 fiscal year.

The principal duties of the committee include informing the public about the expenditure of Measure X bond proceeds; ensuring that the district spends bond money only for the purposes set forth in Measure X; and producing an annual report of the committee's proceedings and activities, including a compliance statement. The Board of Trustees' responsibilities include overseeing the bond program, prioritizing projects, and monitoring progress and spending on individual projects.

The committee is pleased with the progress made during the 2022-2023 fiscal year. In April 2023, the District hired a Director of Capital Projects to develop and manage all of the District's projects. The Director is supported by a Capital Projects team and has been instrumental in keeping CBOC, the Board of Trustees and the Gavilan Community informed of how Measure X bond dollars are being spent.

The District has been hard at work making sure San Benito County Campus remains the top priority. You will see more updates for this project as well as the other projects on the Gilroy Campus in our featured projects section.

This committee, our new Director of Capital Projects, our program manager, and all project teams continue to pay close attention to inflationary pressures and seek to minimize risk by closely monitoring project costs and contingencies.

The Citizens' Bond Oversight Committee received written and oral reports from the district and program management staff, and the financial and performance audit reports were presented directly to the committee by the auditor. Based on its review, the committee has concluded that the district is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution.

The committee and the District wish to thank the community for their continued support of our students.

Respectfully submitted,

Elvira Zaragoza Robinson  
Citizens' Bond Oversight Committee Chair

## Committee Members

The following Citizens' Bond Oversight Committee members were active during the 2022-2023 fiscal year. Committee members are appointed by the Board of Trustees.

- Elvira Zaragoza Robinson - Committee Chair, Support Organization
- John Flaherty - Committee Vice Chair, Community-At-Large
- Thomas Andrade, Community-At-Large
- Pamela Brown, Community-At-Large
- Michael Dziuba, Taxpayers Association
- John Gould, Community At-Large
- Gordon Machado, Business Community
- Jim Rogers, Senior Citizens' Organization
- Louie Viray, Student Representative

## Committee Meetings

The committee had three meetings in the 2022-2023 fiscal year:

- October 13, 2022
- February 7, 2023
- April 18, 2023

Please visit the [committee meeting page](#) for a complete listing of the meeting schedule, agendas, and minutes.

## Measure X Expenditures as of June 30, 2023

Bond Authorization	\$248,000,000
Interest Earned	\$4,137,193
<b>Total Bond Funds</b>	<b>\$252,137,193</b>

<b>Bond Expenditures:</b>	<b>Budget</b>	<b>Expenses</b>
Architect & Engineering, Division of State Architect, Oversight & Other	\$63,455,588	\$25,161,899
Construction & Contingency	\$177,003,638	\$17,438,121
Furniture & Equipment	\$9,452,283	\$411,808
Unallocated Interest	\$2,225,685	\$0
<b>Total (Rounding factors may apply):</b>	<b>\$252,137,193</b>	<b>\$43,011,828</b>

## Measure X Project List as of June 30, 2023

#	Project Category, Name and Description	Status	Budget	Expenditures
<b>San Benito County Campus</b>				
3101	San Benito County Campus		\$60,583,589	\$9,574,607
	San Benito Campus Phase One includes a multipurpose Academic Building with classroom and lab space, support services, limited food service and collaboration spaces.			
<b>San Benito County Campus Total:</b>			<b>\$60,583,589</b>	<b>\$9,574,607</b>
<b>Gavilan College</b>				
3201	Site Improvement, Security and Infrastructure		\$29,284,096	\$6,780,950
	Infrastructure improvements include renovations and upgrades to the aging utility systems on campus. Site improvements include improvements to roads and parking, Central Quad, pedestrian bridge, signage and wayfinding. Security improvements will include cameras, public address system and door hardware.			
3202	Library and Student Resource Center		\$55,783,698	\$1,936,292
	Construction of a new, state of the art Library and Student Resource Center. The new Library will replace the aging Library and incorporate Student Services functions into one location.			
3204	STEM Center		\$35,174,463	\$596,463
	Construction of a new Science, Technology, Engineering, and Math (STEM) Center includes general lecture classrooms, science labs, computer lab, study areas, and faculty and support staff offices.			
3205	Theater Modernization		\$20,735,757	\$532,580
	Renovation and modernization of the existing Theater Building.			
<b>Gavilan College Total:</b>			<b>\$140,978,014</b>	<b>\$9,846,285</b>
<b>District and District Wide Projects</b>				
3207	IT Infrastructure		\$6,068,175	\$1,340,480
	District-wide technology data center improvements and disaster recovery expansion, area network connections and hardware, audio-visual modernization, computer replacements, upgrades of local area cabling, replacement of phone system and network infrastructure modernization.			
3995	Debt Service and Project Completion Costs		\$20,749,011	\$20,541,560
	Pay down debt service and project completion costs.			
3999	Program Management, Planning and Support		\$7,121,211	\$1,708,898
	Cost of issuance, legal, management, program planning and assessments.			
<b>District Wide Projects Total:</b>			<b>\$33,938,397</b>	<b>\$23,590,938</b>
<b>Program Contingency</b>				
3997	Program Contingency		\$7,411,508	\$0
	District Wide Program Contingency for various issues that may be a result of higher construction costs, new projects, etc.			
3998	Catastrophic Contingency		\$7,000,000	\$0
	3% of Measure X initial project list budget.			
	Unallocated Interest Earnings		\$2,225,685	\$0
<b>Program Contingency and Unallocated Interest Earnings:</b>			<b>\$16,637,193</b>	<b>\$0</b>
<b>Measure X Grand Total (Rounding factors may apply):</b>			<b>\$252,137,193</b>	<b>\$43,011,830</b>

## Featured Projects

### San Benito County Campus

**Budget:** \$60,583,589

**Expenses as of June 30, 2023:** \$9,574,607

**Est. Completion Date:** Fall 2024

**Description:**

The San Benito County Campus project includes the construction of a multipurpose Academic Building with classroom and lab space, support services, food service and collaboration spaces.



**Project Milestones:**

May 2023: Division of the State Architect (DSA) reviewed and approved the construction documents

May 2023: Community forum held in Hollister

June 2023: Groundbreaking ceremony held

July 2023: Construction estimated to begin





## Featured Projects

### Covered Walkways Replacement Project

**Budget:** \$4,812,500 (*original budget - scope was reduced in March 2023 and new budget is \$2,812,500*)

**Expenses as of June 30, 2023:** \$453,636

**Est. Completion Date:** October 2023

#### Description:

The Covered Walkways Replacement Project focuses on the covered walkways adjacent to the existing STEM buildings.



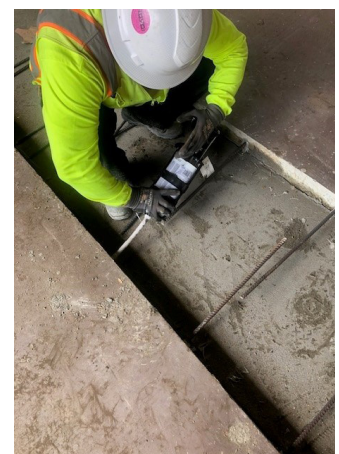
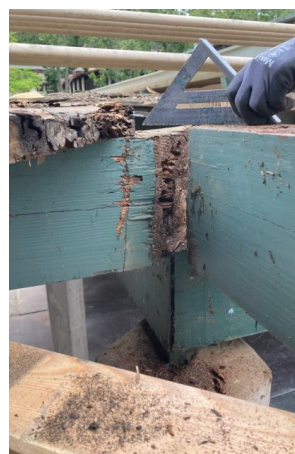
#### Project Milestones:

August 2022: Beals Martin & Associates, Inc. selected as prime contractor

March 2023: Scope reduced to only include walkways in the STEM Quad

May 2023: Construction began

October 2023: Construction estimated to be completed



# Featured Projects

## Library and Student Resource Center

**Budget:** \$55,783,698

**Expenses as of June 30, 2023:** 1,936,292

**Est. Completion Date:** June 2026

### Description:

Construction of a new, state of the art Library and Student Resource Center. The new library will replace the aging library and incorporate student service functions and additional administrative offices into one location.



### Project Milestones:

December 2023: FLINT/JKAE were selected as the Design-Build Entity team

January 2023: Program validation began with input from several faculty and staff representing the various departments that will be calling LSRC home soon. The program validation was based on many workgroup sessions to make sure the needs were met for all the programs involved with the new building.

October 2023: Schematic Design projected to be completed

Summer 2024: Construction estimated to begin

Summer 2026: Construction estimated to be completed





## Featured Projects

### Monument Signs

**Budget:** \$1,500,000

**Expenses as of June 30, 2023:** \$1,642

**Est. Completion Date:** Spring 2024

**Description:**

The monument signs will be positioned at the northern and southern entrances to campus.



*Rendering*

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### STEM Center Educational Master Plan (EMP)

**Budget:** \$43,000

**Expenses as of June 30, 2023:** \$43,000

**Est. Completion Date:** October 2023

**Description:**

In Spring 2023, the District hired a consultant, Integrated Academic Solutions, LLC, to perform an Educational Master Plan (EMP) for the STEM Center project. The final report is expected to be completed by Fall 2023. This report will help the District Architect re-evaluate the design criteria for the project with the intention of selecting a design-build team in the Spring/Summer 2024.

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### Music Room Acoustical Curtain

**Budget:** \$34,446

**Expenses as of June 30, 2023:** \$6,000

**Est. Completion Date:** October 2023

**Description:**

Installation of a new curtain in the existing Lecture Room MU101 of the Music Building.



# Measure X

## Financial & Performance Audits



December 4, 2023

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

We have audited the financial statements of Gavilan Joint Community College District (the District) Bond Construction Fund (Measure X) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 4, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit of the District's General Obligation Bond Construction Fund (Measure X) under Generally Accepted Auditing Standards and *Government Auditing Standards* and the Performance Audit under *Government Auditing Standards***

As communicated in our letter dated March 29, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Additionally, our responsibility, as described by professional standards, is to conduct a performance audit in accordance with *Government Auditing Standards*. Our audit of the financial statements and performance audit does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. We are also responsible for communicating significant matters related to the objectives of the performance audit. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated December 4, 2023.



## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. No such significant accounting estimates were identified.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgement.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to District's Bond Construction Fund (Measure X) financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We have made the following modification to our auditor's report:

### ***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.

## **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 4, 2023.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Board of Trustees, Citizens' Bond Oversight Committee, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.



Rancho Cucamonga, California





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)

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June 30, 2023

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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 cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 4, 2023



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

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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

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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.



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

Notes to Financial Statements

June 30, 2023

### 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>
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### **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

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



Performance Audit  
Bond Construction Fund (Measure X)  
June 30, 2023  
**Gavilan Joint  
Community College District**





## **Independent Auditor's Report on Performance**

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

We were engaged to conduct a performance audit of the Bond Construction Fund (Measure X) of the Gavilan Joint Community College District (the District) for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Audit Authority/Purpose**

The general obligation bonds associated with Measure X were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County (the County Resolution), pursuant to a request of the Gavilan Joint Community College District made by a resolution adopted by the Board of Trustees of the District.

The District received authorization at an election held on November 6, 2018, to issue bonds of the District in an aggregate principal amount not to exceed \$248,000,000 to finance construction and modernization of certain District property and facilities, the acquisition of equipment, and to pay the costs of issuance associated with the Bonds. The proposition required approval by at least 55% of the votes cast by eligible voters within the District.

## **Purpose**

The general obligation bond funds of the District would be used to finance the design, acquisition, installation, restoration, and construction of public schools and school facilities and providing facilities improvements and upgrades, and the acquisition of related facilities costs, including, but not limited to, financing the following: renovation of classrooms and science labs; upgrading of electrical systems and wiring to safely accommodate computers, technology, and other electrical devices; repair and replacement of fixtures and systems. Project costs for expansion of existing facilities may include, but is not limited to, some or all of the following: vocational and technical training programs and to enhance nursing, firefighter, paramedic, public safety, and hi-tech job training. Project costs for furniture and equipment may include, but is not limited to, some or all of the following: desks and tables; window and floor covering; computer, media recording, and presentation equipment; science laboratory equipment; and/or other electronic equipment.

## **Authority**

On November 7, 2000 California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by the District, “for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities”, upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The District must list the specific district facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
3. Requires the District to appoint a Citizens’ Oversight Committee.
4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

## **Objectives of the Audit**

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District compliance with those requirements.

1. Determine whether expenditures charged to the Bond Construction Fund (Measure X) have been made in accordance with the Bond project list approved by the voters through the approval of Measure X.
2. Determine whether salary transactions charged to the Bond Construction Fund (Measure X) were in support of Measure X and not for District general administration or operations.

## **Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2022 through June 30, 2023. The population of expenditures tested included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2023, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

## **Methodology**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2023, for the Bond Construction Fund (Measure X). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure X as to the approved Bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2022 through June 30, 2023 from Measure X bond proceeds.
  - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
  - d. For all items below the individually significant threshold identified in item 2c, we judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes and projects for the period starting July 1, 2022 and ending June 20, 2023. The results can be projected to the intended population.
3. Our sample included transactions totaling \$4,320,851. This represents approximately 70% of the total expenditures of \$6,136,447.
4. We reviewed the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of Measure X if the following conditions were met:
  - a. Expenditures were aligned with the voter-approved bond project list.
  - b. Expenditures were not used for salaries of administrators or other operating expenses of the District.

The results of our tests indicated that the District expended Building Fund (Measure X) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

### **Audit Results**

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Bond Construction Fund (Measure X) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Bond Construction Fund (Measure X), and expended by the District, were used for salaries of administrators only to the extent they performed administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

This report is intended solely for the information and use of the District, Board of Trustees, and Citizens Bond Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 4, 2023

None reported.