Kushner ■ Smith ■ Joanou ■ Gregson

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CERTIFIED PUBLIC ACCOUNTANTS

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN

Financial Statements
Years Ended June 30, 2007 and 2006
(With Independent Auditor's Report Thereon)

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Administrative Committee of the
Grossmont-Cuyamaca Community College District
Pension Eligible Alternative Retirement Plan

We have audited the accompanying statements of plan net assets of the Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan (the Plan) as of June 30, 2007 and 2006, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the management of the Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan as of June 30, 2007 and 2006, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kushner Smith Joanou & Gregson, LLP

December 17, 2007

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GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
PENSION ELIGIBLE ALTERNATIVE
RETIREMENT PLAN

Statements of Plan Net Assets
June 30, 2007 and 2006

ASSETS

	2007	2006
Cash and cash equivalents	$ 36,104	$ 87,007
Contributions receivable:		
Participants’	12,636	11,575
Employer’s	12,636	11,430
Total contributions receivable	25,272	23,005
Investments, at fair value		
Common collective funds	577,328	540,388
Mutual funds	4,543,033	3,801,406
Total investments	5,120,361	4,341,794
Net assets held in trust for pension benefits	$ 5,181,737	$ 4,451,806

See accompanying notes to financial statements

GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
PENSION ELIGIBLE ALTERNATIVE
RETIREMENT PLAN

Statements of Changes in Plan Net Assets
Years Ended June 30, 2007 and 2006

	2007	2006
Additions to plan net assets:		
Contributions		
Employer	$ 238,050	$ 217,130
Participants	238,050	217,130
Total contributions	476,100	434,260
Investment income:		
Net unrealized appreciation in fair value of investments	165,326	84,996
Realized gain on sale of investments	250,361	94,877
Interest and dividend income	141,705	118,632
Total investment income	557,392	298,505
Total additions	1,033,492	732,765
Deductions from plan net assets:		
Benefits paid to participants and beneficiaries	216,970	279,791
Investment expenses	--	1,022
Administrative expenses	86,591	101,189
Total deductions	303,561	382,002
Net increase	729,931	350,763
Net plan assets:		
Beginning of year	4,451,806	4,101,043
End of year	$ 5,181,737	$ 4,451,806

See accompanying notes to financial statements

**GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
PENSION ELIGIBLE ALTERNATIVE
RETIREMENT PLAN**

**Notes to Financial Statements
June 30, 2007 and 2006**

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for more detailed information of the Plan's provisions.

General - The Plan is a defined contribution money purchase plan covering all part-time employees of Grossmont-Cuyamaca Community College District (the Employer) who are not eligible for membership in the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS) or an alternative plan. Upon employment and any re-employment, employees may become a member of the Plan.

The Plan is an alternative plan to social security, and unit members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991.

As a government plan, the Plan is excluded from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended however, the Plan is subject to the reporting requirements of the California State Controller's Office.

Plan Amendments - Effective July 1, 2007, the Plan was amended to ensure that mandatory distributions for participants that have attained age 70½ are made in a timely manner.

Prior to July 1, 2007, Plan earnings or losses were offset by expenses and then allocated to the participant's account on a pro-rata basis. Effective July 1, 2007, the fee allocation method was amended to charge an administration fee of $10, but no more than the terminated participant's total value of their account balance, twice a year to each terminated participant's account. Active participants will continue to be charged administration fees on a pro-rata basis.

Contributions - Contributions to the Plan are shared between the employees and the Employer. The Employer contributes 3.75% of eligible wages as defined under IRS regulations, and 3.75% of eligible wages are withheld from the employees' checks for deposit under the Plan. Employer contributions of $238,050 and $217,130; and participant contributions of $238,050 and $217,130 were made to the Plan for the years ended June 30, 2007 and 2006, respectively.

Participant Accounts - Each participant's account is credited with the participant's contribution, the Employer's contributions, and an allocation of Plan earnings after expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested interest in their account.

Vesting - Participants are immediately 100% vested in all contributions plus actual earnings thereon.

(Note 1 continued on the following page)

**GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
PENSION ELIGIBLE ALTERNATIVE
RETIREMENT PLAN**

**Notes to Financial Statements
(Continued)
June 30, 2007 and 2006**

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Payment of Benefits - Upon termination of service, death, disability, or attainment of Normal Retirement Age, a participant may elect to receive a single lump-sum payment equal to the value of his or her account.

Forfeitures - There are no forfeitures since all contributions are immediately 100% vested.

Investments - The Plan administrator directs the trustee concerning the investment and reinvestment of the Plan assets held by the trustee.

Membership Summary - At June 30, 2007 and 2006, the Plan's membership consisted of active members and terminated members entitled to benefits but not yet receiving them (deferred participants) as follows:

	2007	2006
Terminated participants with vested benefits	2,917	2,923
Active plan participants	2,110	1,886
Total	5,027	4,809

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements have been prepared in compliance with the requirements set forth by the California State Controller's Office.

Basis of Accounting - The financial statements of the Plan are prepared under the accrual method of accounting. Employer and employee contributions contributions are recognized as revenues in the period in which employee services are performed.

Use of 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 and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents consists of cash, cash held in money market accounts and all highly liquid debt instruments with an original maturity of three months or less.

(Note 2 continued on the following page)

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN

Notes to Financial Statements (Continued) June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments of the Plan are held and invested by Union Bank of California, N.A., trustee of the Plan, as pooled investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis.

Administrative Expenses - Administrative expenses are paid by the Plan. During the years ended June 30, 2007 and 2006, Plan expenses were $86,591 and $101,189, respectively.

Risk and Uncertainties - Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level or risk associated with certain investment securities and the level of uncertainty related to changes in the value of investments securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the Statements of Net Assets and the Statements of Changes in Net Assets.

Reclassifications - The financial statements for the year ended June 30, 2006, contain certain reclassifications, which have no effect on net change in plan assets, to conform with the current period presentation at June 30, 2007.

GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
PENSION ELIGIBLE ALTERNATIVE
RETIREMENT PLAN

Notes to Financial Statements
(Continued)
June 30, 2007 and 2006

NOTE 3 - INVESTMENTS

Non-participant directed investments as of June 30, 2007 and 2006 are summarized as follows:

		2007	2006
Non-participant directed investments greater than five percent of the Plan's net assets:			
Union Bank of California	Stable Value Fund	$ 577,328	$ 540,388
Fidelity Advisor	Diversified Institutional Fund Class I	-- ♦	449,472
Highmark	Value Momentum Fund	-- ♦	230,873
Highmark	Bond Fund	1,204,650	1,297,385
PIMCO	Total Return Fund	404,656	432,993
Vanguard	Short-Term Investment Fund	275,459	--♦
Payden & Rygel	Short Bond Fund	275,593	--♦
T. Rowe Price	Growth Stock Fund	330,803	--♦
		3,068,489	2,951,111
Aggregate of non-participant directed investments less than five percent of the Plan's net assets.		2,051,872	1,390,683
		$ 5,120,361	$ 4,341,794

♦ - Value is less than five percent of the Plan's net assets.

During 2007 and 2006, the Plan's net investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

	2007	2006
Mutual funds	$ 415,687	$ 179,873

**GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
PENSION ELIGIBLE ALTERNATIVE
RETIREMENT PLAN**

**Notes to Financial Statements
(Continued)
June 30, 2007 and 2006**

NOTE 4 - TAX STATUS

The Plan obtained its latest determination letter on November 8, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

NOTE 5 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Employer has the right to discontinue its contributions at any time and may institute proceedings to effect a partial or total termination of the Plan subject to the provisions of the Plan Document. In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by the Plan Document, so that each participant receives 100 percent of his or her account balance as of the date of termination.