

**GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Grossmont-Cuyamaca Community College District
El Cajon, California

We have audited the accompanying basic financial statements of the Grossmont-Cuyamaca Community College District (the District) as of and for the years ended June 30, 2007 and 2006, and its discretely presented component unit, Grossmont-Cuyamaca Community College District Auxiliary Organization, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Grossmont-Cuyamaca Community College District, and its discretely presented component unit, Grossmont-Cuyamaca Community College District Auxiliary Organization, as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waurinek, Irine Day & Co. LLP

Rancho Cucamonga, California
December 21, 2007



GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT

INTRODUCTION

The Grossmont-Cuyamaca Community College District (the District) consists of two separately accredited colleges, Cuyamaca and Grossmont, supported by a District Office. The District serves approximately 25,000 students per semester. Full-Time Equivalent Student (FTES) for 2006-2007 was 18,049.

The following discussion and analysis provides an overview of the financial position and activities of the Grossmont-Cuyamaca Community College District for the year ended June 30, 2007. Please read it in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

FINANCIAL HIGHLIGHTS

- Net assets increased by \$26.4 million or 25.5 percent due to a continuing investment in capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 35 on July 1, 2002. This adoption changed the format and the content of the District's basic financial statements. The District is following the Business-Type Activity (BTA) model. Rather than issuing fund-type financial statements, these Statements require the following components to be included in the District's financial statements:

- Management's Discussion and Analysis
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows for the District as a whole
- Notes to the financial statements

Additionally, fund balance is now referred to as Net Assets, and the Statement of Cash Flows is presented using the direct method.

The basic financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the District's activities.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

The *Statement of Net Assets* presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District, or one way to measure the financial health of the District.

The net assets are divided into three major categories. The first category, Investment in Capital Assets, represents the equity amount in property, plant, and equipment owned by the District. The second category is Expendable Restricted Net Assets. These net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. Restrictions can also be enforced through agreements, laws, or regulations of creditors, other governmental agencies, imposed bylaws through constitutional provisions or enabling legislation. The final category is Unrestricted Net Assets that are available to the District for any lawful purpose. Although unrestricted, the District's Governing Board may place internal restrictions on these net assets, but it retains the power to change, remove, or modify such restrictions.

The *Statement of Revenues, Expenses, and Changes in Net Assets* represents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses. Thus, this statement presents the District's results of operations.

Changes in total net assets, as indicated on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

The *Statement of Cash Flows* provides information about cash receipts and cash payments during the fiscal year, major uses, and sources of cash. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they become due and evaluate the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital activities of the institution. The third section deals with the cash used for the acquisition and construction of capital and related financing activities. The fourth part provides information from investing activities. This section reflects the cash received and spent for short-term investment and any interest paid or received on those investments. The final section reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. The net cash reconciliation is shown in the expanded version of the Statement of Cash Flows in the financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

The Statement of Net Assets as of June 30, 2007, is summarized below:

(Amounts in thousands)

	2007	2006	2005
Current assets	\$ 114,508	\$ 146,873	\$ 163,793
Capital assets	201,041	139,062	86,908
Total Assets	<u>\$ 315,549</u>	<u>\$ 285,935</u>	<u>\$ 250,701</u>
Current liabilities	\$ 29,644	\$ 25,339	\$ 17,772
Long-term obligations	155,740	156,885	158,837
Total Liabilities	<u>185,384</u>	<u>182,224</u>	<u>176,609</u>
Net assets			
Invested in capital assets, net of related debt	98,272	80,662	44,393
Restricted	25,884	17,250	14,346
Unrestricted	6,009	5,799	15,353
Total Net Assets	<u>130,165</u>	<u>103,711</u>	<u>74,092</u>
Total Liabilities and Net Assets	<u>\$ 315,549</u>	<u>\$ 285,935</u>	<u>\$ 250,701</u>

The District's total assets increased \$29.6 million or 10.4 percent from the previous year. The majority of the increase was based on increases in capital assets as detailed in the capital assets section of this report, consistent with the GASB Statement No. 35 provisions.

Total liabilities increased \$3.2 million or 1.7 percent. This is partially related to accruing liabilities related to retention on facilities projects.

The District's net assets have increased \$26.4 million or 25.5 percent. Many of these assets have been designated or restricted for specific purposes such as categorical commitments, health services, parking fund, and capital outlay and pending faculty negotiations.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

The Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2007, is summarized below:

(Amounts in thousands)

	2007	2006	2005
Operating revenues	\$ 45,879	\$ 39,673	\$ 36,046
Operating expenses	<u>(127,229)</u>	<u>(124,427)</u>	<u>(100,281)</u>
Deficit Before Depreciation and Nonoperating Income and Expense	(81,350)	(84,754)	(64,235)
Depreciation	<u>(3,173)</u>	<u>(2,834)</u>	<u>(2,846)</u>
Deficit Before Nonoperating Income and Expense	(84,523)	(87,588)	(67,081)
Nonoperating income and expense, net	<u>110,976</u>	<u>117,206</u>	<u>85,371</u>
Increase in Net Assets	<u>\$ 26,453</u>	<u>\$ 29,618</u>	<u>\$ 18,290</u>

The Changes in Net Assets comparison presents the District's results of operation and shows an increase of \$26.4 million. Operating revenues over operating expense decreased \$3.4 million or 4.0 percent. State apportionment and property taxes are recorded in nonoperating income.

The Statement of Cash Flows for the year ended June 30, 2007, is summarized below:

(Amounts in thousands)

	2007	2006	2005
Operating activities	\$ (78,460)	\$ (82,373)	\$ (63,231)
Noncapital financing activities	101,886	79,116	77,539
Capital and related financing activities	(53,383)	(26,161)	79,551
Investing activities	<u>52,890</u>	<u>(95,296)</u>	<u>1,234</u>
Net Change in Cash and Cash Equivalents	22,933	(124,714)	95,093
Cash Balance - Beginning of Year	<u>26,862</u>	<u>151,576</u>	<u>56,483</u>
Cash Balance - End of Year	<u>\$ 49,795</u>	<u>\$ 26,862</u>	<u>\$ 151,576</u>

The total cash balance increased by \$22.9 million or 85.4 percent. The majority of the cash increase was for cash that was transferred from MBIA, Inc. investment agreement to the County pool.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

DISTRICT FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSETS

As of June 30, 2007, the District had approximately \$232.8 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other equipment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of \$31.8 million, leaving a net asset amount of \$201.0 million.

Note 5 to the financial statements provides detail information on capital assets. A summary of capital assets net of accumulated depreciation and changes therein is presented below:

(Amounts in thousands)

	2007	2006	2005
Land	\$ 1,819	\$ 1,819	\$ 1,819
Work in progress	126,240	64,100	20,488
Site improvements	21,393	20,688	11,194
Buildings	49,492	50,821	51,709
Equipment	2,097	1,634	1,698
Total	<u>\$ 201,041</u>	<u>\$ 139,062</u>	<u>\$ 86,908</u>

Total net capital assets increased \$62.0 million or 44.6 percent. Major changes consisted of two construction projects at Grossmont College and three projects at Cuyamaca College completed or near completion which are reflected as a significant increase in work in progress. These projects, along with anticipated completion dates, are as follows:

- Grossmont College Science Building - June 2007
- Grossmont College Digital Arts and Sculpture - June 2007
- Cuyamaca College Science and Technology Mall - June 2007
- Cuyamaca College Student Center - February 2008
- Cuyamaca College Communication Arts - June 2008

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

Major future planned projects, funded by State and local bonds, are:

Grossmont College

- Exercise Science and Wellness complex Renovation – August 2008
- Parking Expansion – February 2009
- Health Science (West 300) – February 2010
- Student Services/Student Center Renovation – June 2010
- Theater – 2011

Cuyamaca College

- LRC Expansion – June 2009
- Remodel B, D, E, F, G – November 2009
- Business and Computer and Information Science Building – February 2010

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In 2006-2007, the District reported 18,049 FTES with Summer Pullback of 478 FTES. The District's goal is to restore to Goals of 18,049 FTES in 2007-2008.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report was designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice Chancellor-Business Services, Grossmont-Cuyamaca Community College District, 8800 Grossmont College Drive, El Cajon, CA 92020-1799.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,081,167	\$ 3,653,622
Investments	95,294,075	121,775,662
Accounts receivable	12,232,589	18,805,481
Prepaid expenses	402,930	1,079,149
Stores inventories	58,749	57,789
Deferred cost on issuance	1,438,637	1,501,186
Total Current Assets	<u>114,508,147</u>	<u>146,872,889</u>
NONCURRENT ASSETS		
Nondepreciable capital assets	128,058,592	65,918,681
Depreciable capital assets, net of accumulated depreciation	72,981,948	73,143,774
Total Noncurrent Assets	<u>201,040,540</u>	<u>139,062,455</u>
TOTAL ASSETS	<u>315,548,687</u>	<u>285,935,344</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	18,056,106	13,880,044
Accrued interest payable	2,760,544	2,774,774
Deferred revenue	3,840,957	3,226,620
Amounts held in trust on behalf of others	2,633,915	2,461,963
Compensated absences payable - current portion	200,000	200,000
Notes payable - current portion	1,503,474	1,370,000
Lease obligations - current portion	10,239	10,200
Other long-term obligations - current portion	638,809	1,415,235
Total Current Liabilities	<u>29,644,044</u>	<u>25,338,836</u>
NONCURRENT LIABILITIES		
Compensated absences payable - noncurrent portion	2,813,208	2,549,951
Notes payable - noncurrent portion	152,031,873	153,356,058
Lease obligations - noncurrent portion	20,601	30,840
Other long-term obligations - noncurrent portion	874,607	948,655
Total Noncurrent Liabilities	<u>155,740,289</u>	<u>156,885,504</u>
TOTAL LIABILITIES	<u>185,384,333</u>	<u>182,224,340</u>
NET ASSETS		
Invested in capital assets, net of related debt	98,271,765	80,662,318
Restricted for:		
Debt service	15,417,394	15,147,068
Capital projects	10,466,618	2,102,410
Unrestricted	6,008,577	5,799,208
TOTAL NET ASSETS	<u>\$ 130,164,354</u>	<u>\$ 103,711,004</u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES		
Student Tuition and Fees	\$ 15,746,564	\$ 17,855,935
Less: Scholarship discount and allowance	(4,116,614)	(4,291,555)
Net tuition and fees	<u>11,629,950</u>	<u>13,564,380</u>
Grants and Contracts, noncapital:		
Federal	13,201,891	13,073,794
State	14,567,487	7,451,275
Internal Service Sales and Charges	6,479,705	5,583,320
Subtotal	<u>34,249,083</u>	<u>26,108,389</u>
TOTAL OPERATING REVENUES	<u>45,879,033</u>	<u>39,672,769</u>
OPERATING EXPENSES		
Salaries	70,512,226	64,144,627
Employee benefits	27,144,818	25,127,865
Supplies, materials, and other operating expenses and services	29,571,934	35,154,566
Depreciation	3,172,818	2,833,911
TOTAL OPERATING EXPENSES	<u>130,401,796</u>	<u>127,260,969</u>
OPERATING LOSS	<u>(84,522,763)</u>	<u>(87,588,200)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	47,993,229	41,305,362
Local property taxes	37,100,965	36,290,744
State taxes and other revenues	5,428,729	3,503,373
Investment income, net	4,563,554	4,877,272
Interest expense on capital related debt	(7,074,720)	(6,948,919)
Interest income on capital asset-related debt, net	574,645	333,470
Loss on disposal of capital assets	-	(26,058)
Transfer to agency fund	(84,000)	(84,000)
Other nonoperating revenue	5,061,084	4,264,375
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>93,563,486</u>	<u>83,515,619</u>
INCOME BEFORE OTHER REVENUES	<u>9,040,723</u>	<u>(4,072,581)</u>
State revenues, capital	17,412,627	33,691,012
TOTAL OTHER REVENUES	<u>17,412,627</u>	<u>33,691,012</u>
INCREASE IN NET ASSETS	26,453,350	29,618,431
NET ASSETS, BEGINNING OF YEAR	<u>103,711,004</u>	<u>74,092,573</u>
NET ASSETS, END OF YEAR	<u>\$ 130,164,354</u>	<u>\$ 103,711,004</u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 11,535,710	\$ 13,584,453
Grants and contracts	28,482,531	18,697,525
Payments to or on behalf of employees	(98,351,557)	(89,891,127)
Payments to vendors for supplies and services	(16,641,141)	(20,330,089)
Payments to students for scholarships and grants	(10,136,769)	(9,970,171)
Auxiliary enterprise sales and charges	6,479,705	5,583,320
Funds held for others	171,952	(46,635)
Net Cash Flows From Operating Activities	<u>(78,459,569)</u>	<u>(82,372,724)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	47,489,035	39,668,727
Property taxes	37,100,965	37,393,385
State taxes and other revenue	12,697,887	(2,191,136)
Other nonoperating revenues	4,597,661	4,244,970
Net Cash Flows From Noncapital Financing Activities	<u>101,885,548</u>	<u>79,115,946</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(63,156,860)	(51,002,859)
Proceeds from capital debt	456,721	273,205
State apportionments, capital projects	17,412,627	33,691,012
Principal paid on capital debt	(1,657,632)	(4,372,799)
Deferred cost on issuance	62,549	62,549
Interest paid on capital debt	(7,074,720)	(5,145,133)
Interest received on capital debt	574,645	333,470
Net Cash Flows From Capital Financing Activities	<u>(53,382,670)</u>	<u>(26,160,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	4,902,649	3,270,626
Proceeds from (purchase of) investments	48,022,016	(98,566,851)
Net Cash Flows From Investing Activities	<u>52,924,665</u>	<u>(95,296,225)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,967,974	(124,713,558)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,862,433</u>	<u>151,575,991</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 49,830,407</u>	<u>\$ 26,862,433</u>

The accompanying notes are an integral part of these financial statements.

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GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS, Continued
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	<u>\$ (84,522,763)</u>	<u>\$ (87,588,200)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	3,172,818	2,833,911
Changes in Assets and Liabilities:		
Receivables, net	(151,744)	(7,522,053)
Inventories	(960)	5,279
Prepaid items	676,219	(125,107)
Notes receivables, net	(587,217)	-
Accounts payable and accrued liabilities	2,167,789	7,682,703
Deferred revenue	614,337	2,387,378
Funds held for others	171,952	(46,635)
Total Adjustments	<u>6,063,194</u>	<u>5,215,476</u>
Net Cash Flows From Operating Activities	<u><u>\$ (78,459,569)</u></u>	<u><u>\$ (82,372,724)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING		
Cash in banks	\$ 5,081,167	\$ 3,653,622
Cash in county treasury	44,724,534	23,173,389
Cash with fiscal agent	34,706	35,422
Total Cash and Cash Equivalents	<u><u>\$ 49,840,407</u></u>	<u><u>\$ 26,862,433</u></u>
 NONCASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 1,708,211</u></u>	<u><u>\$ 1,619,591</u></u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

	2007			
	Associated Students Cuyamaca	Associated Students Grossmont	Grossmont Student Trust Organization	Grossmont Student Representation Fee
ASSETS				
Cash and cash equivalents	\$ 49,768	\$ 411,654	\$ 66,078	\$ 82,974
Investments	33,144	-	-	-
Accounts receivable	-	9,996	485	-
Stores inventories	-	5,827	-	-
Fixed assets	-	5,378	-	-
Total Assets	\$ 82,912	\$ 432,855	\$ 66,563	\$ 82,974
LIABILITIES				
Accounts payable	\$ 4,427	\$ 4,780	\$ 932	\$ -
Due to student groups	78,485	428,075	65,631	82,974
Total Liabilities	\$ 82,912	\$ 432,855	\$ 66,563	\$ 82,974
NET ASSETS				
Reserved	-	-	-	-
Total Liabilities and Net Assets	\$ 82,912	\$ 432,855	\$ 66,563	\$ 82,974

The accompanying notes are an integral part of these financial statements.

Scholarship and Loan Trust	District Trust	Student Center Funds	Total 2007
\$ 274,276	\$ 320,581	\$ 2,890	\$ 1,208,221
175,034	167,871	1,031,471	1,407,520
8,508	-	26,408	45,397
-	-	-	5,827
-	-	-	5,378
<u>\$ 457,818</u>	<u>\$ 488,452</u>	<u>\$ 1,060,769</u>	<u>\$ 2,672,343</u>
\$ -	\$ 13,181	\$ 15,108	\$ 38,428
-	-	-	655,165
<u>-</u>	<u>13,181</u>	<u>15,108</u>	<u>693,593</u>
457,818	475,271	1,045,661	1,978,750
<u>\$ 457,818</u>	<u>\$ 488,452</u>	<u>\$ 1,060,769</u>	<u>\$ 2,672,343</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS STATEMENTS OF NET ASSETS, CONTINUED JUNE 30, 2007 AND 2006

2006	Agency			
	Associated Students Cuyamaca	Associated Students Grossmont	Grossmont Student Trust Organization	Grossmont Student Representation Fee
ASSETS				
Cash and cash equivalents	\$ 66,009	\$ 397,877	\$ 56,994	\$ 58,972
Investments	31,545	-	-	-
Accounts receivable	845	5,575	345	858
Due from other funds	-	-	-	-
Stores inventories	-	5,530	-	-
Fixed assets	-	11,602	-	-
Total Assets	\$ 98,399	\$ 420,584	\$ 57,339	\$ 59,830
LIABILITIES				
Accounts payable	\$ 2,897	\$ 4,242	\$ 215	\$ -
Due to other funds	-	-	-	-
Due to student groups	95,502	416,342	57,124	59,830
Total Liabilities	\$ 98,399	\$ 420,584	\$ 57,339	\$ 59,830
NET ASSETS				
Reserved	-	-	-	-
Total Liabilities and Net Assets	\$ 98,399	\$ 420,584	\$ 57,339	\$ 59,830

The accompanying notes are an integral part of these financial statements.

Scholarship and Loan Trust	District Trust	Student Center Funds	Total 2006
\$ 244,781	\$ 334,876	\$ 25,179	\$ 1,184,688
169,846	167,871	954,285	1,323,547
6,448	-	9,208	23,279
-	690	-	690
-	-	-	5,530
-	-	-	11,602
<u>\$ 421,075</u>	<u>\$ 503,437</u>	<u>\$ 988,672</u>	<u>\$ 2,549,336</u>
\$ -	\$ 34,992	\$ 37,620	\$ 79,966
-	2,912	4,495	7,407
-	-	-	628,798
<u>-</u>	<u>37,904</u>	<u>42,115</u>	<u>716,171</u>
421,075	465,533	946,557	1,833,165
<u>\$ 421,075</u>	<u>\$ 503,437</u>	<u>\$ 988,672</u>	<u>\$ 2,549,336</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007			
	Scholarship and Loan Trust	District Trust	Student Center Funds	Total
ADDITIONS				
Local revenues	\$ 301,903	\$ 307,750	\$ 108,627	\$ 718,280
Total Additions	<u>301,903</u>	<u>307,750</u>	<u>108,627</u>	<u>718,280</u>
DEDUCTIONS				
Other expenditures	265,160	298,012	9,523	572,695
Total Deductions	<u>265,160</u>	<u>298,012</u>	<u>9,523</u>	<u>572,695</u>
Change in Net Assets	36,743	9,738	99,104	145,585
Net Assets - Beginning	421,075	465,533	946,557	1,833,165
Net Assets - Ending	<u>\$ 457,818</u>	<u>\$ 475,271</u>	<u>\$ 1,045,661</u>	<u>\$ 1,978,750</u>

The accompanying notes are an integral part of these financial statements.

2006

Scholarship and Loan Trust	District Trust	Student Center Funds	Total
<u>\$ 387,514</u>	<u>\$ 318,597</u>	<u>\$ 213,055</u>	<u>\$ 919,166</u>
<u>387,514</u>	<u>318,597</u>	<u>213,055</u>	<u>919,166</u>
<u>411,834</u>	<u>402,296</u>	<u>35,947</u>	<u>850,077</u>
<u>411,834</u>	<u>402,296</u>	<u>35,947</u>	<u>850,077</u>
<u>(24,320)</u>	<u>(83,699)</u>	<u>177,108</u>	<u>69,089</u>
<u>445,395</u>	<u>549,232</u>	<u>769,449</u>	<u>1,764,076</u>
<u>\$ 421,075</u>	<u>\$ 465,533</u>	<u>\$ 946,557</u>	<u>\$ 1,833,165</u>

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GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT - GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT AUXILIARY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 350,366	\$ 624,172
Accounts receivable	1,183,511	758,850
TOTAL CURRENT ASSETS	<u>1,533,877</u>	<u>1,383,022</u>
EQUIPMENT, Net	-	2,307
TOTAL ASSETS	<u>\$ 1,533,877</u>	<u>\$ 1,385,329</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 438,614	\$ 600,090
Accrued payroll and benefits	167,597	80,256
TOTAL LIABILITIES	<u>606,211</u>	<u>680,346</u>
NET ASSETS		
Unrestricted		
Investment in fixed assets	-	2,307
Undesignated	135,270	67,669
Total Unrestricted	<u>135,270</u>	<u>69,976</u>
Temporarily restricted	792,396	635,007
TOTAL NET ASSETS	<u>927,666</u>	<u>704,983</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,533,877</u>	<u>\$ 1,385,329</u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT - GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT AUXILIARY ORGANIZATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007		Total
	Unrestricted	Temporarily Restricted	
REVENUES AND PUBLIC SUPPORT			
Categorical allowances	\$ 5,275,027	\$ -	\$ 5,275,027
Contributions	-	753,647	753,647
Contract education and services	-	65,055	65,055
Other local revenue	321,633	22,849	344,482
Net assets released from restrictions	684,162	(684,162)	-
TOTAL REVENUES AND SUPPORT	6,280,822	157,389	6,438,211
EXPENDITURES			
Program Services			
Contract services - Grossmont-Cuyamaca Community College District	4,630,149	-	4,630,149
Supplies	232,002	-	232,002
Other payments to students	45,158	-	45,158
Donations	200	-	200
Travel, conferences, and mileage	251,231	-	251,231
Membership dues and fees	14,425	-	14,425
Equipment	539,654	-	539,654
Rents and utilities	100,894	-	100,894
Operational indirect	321,441	-	321,441
Total Program Services	6,135,154	-	6,135,154
Supporting Services			
Printing	16,348	-	16,348
Postage and freight	8,020	-	8,020
Other support expenses	57,019	-	57,019
Total Supporting Services	81,387	-	81,387
TOTAL EXPENDITURES	6,216,541	-	6,216,541
OTHER REVENUE AND EXPENDITURES			
Interest	1,013	-	1,013
CHANGE IN NET ASSETS	65,294	157,389	222,683
NET ASSETS, BEGINNING OF YEAR	69,976	635,007	704,983
NET ASSETS, END OF YEAR	\$ 135,270	\$ 792,396	\$ 927,666

The accompanying notes are an integral part of these financial statements.

2006		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ -	\$ 3,019,081	\$ 3,019,081
-	814,911	814,911
-	30,616	30,616
-	2,000	2,000
<u>3,778,659</u>	<u>(3,778,659)</u>	<u>-</u>
<u>3,778,659</u>	<u>87,949</u>	<u>3,866,608</u>
3,193,698	-	3,193,698
177,774	-	177,774
-	-	-
16,568	-	16,568
152,568	-	152,568
9,217	-	9,217
81,828	-	81,828
49,817	-	49,817
-	-	-
<u>3,681,470</u>	<u>-</u>	<u>3,681,470</u>
19,697	-	19,697
5,650	-	5,650
<u>22,754</u>	<u>-</u>	<u>22,754</u>
<u>48,101</u>	<u>-</u>	<u>48,101</u>
<u>3,729,571</u>	<u>-</u>	<u>3,729,571</u>
<u>2,960</u>	<u>-</u>	<u>2,960</u>
52,048	87,949	139,997
<u>17,928</u>	<u>547,058</u>	<u>564,986</u>
<u>\$ 69,976</u>	<u>\$ 635,007</u>	<u>\$ 704,983</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT - GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT AUXILIARY ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 222,683	\$ 139,997
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,307	2,564
Increase in accounts receivable	(424,661)	(211,742)
Increase (Decrease) in accounts payable	(74,135)	456,907
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(273,806)</u>	<u>387,726</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(273,806)	387,726
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>624,172</u>	<u>236,446</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 350,366</u></u>	<u><u>\$ 624,172</u></u>

The accompanying notes are an integral part of these financial statements.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - ORGANIZATION

The Grossmont-Cuyamaca Community College District (the District) was established in 1961 as a political subdivision of the State of California and provides post secondary educational services to residents of the surrounding area. The District operates under a locally elected five member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges located in El Cajon, California: Grossmont College and Cuyamaca College. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14 and Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustee's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The Grossmont-Cuyamaca Community College Auxiliary Organization (the Auxiliary) is a legally separate, tax exempt organization that is considered a component unit of the District. The Auxiliary receives grant funding for the benefit of the District and the District exercises significant control over the expenditures and operations of the Auxiliary. The Auxiliary is reported as a discretely presented component unit because of the difference in the reporting model. The Auxiliary reports its results of operations under Financial Accounting Standards Board (FASB) Statements. Most significant to the Auxiliary's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Auxiliary's financial information in the District's financial reporting entity for these differences.

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's entity:

- Grossmont College Foundation
- Cuyamaca College Foundation

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The Foundations are separate, not-for-profit corporations. The Board of Directors is appointed independent of any District Board of Trustee appointments. Their Boards are responsible for approving their own budgets and accounting and financing related activities.

Separate financial statements for the Auxiliary and the Foundations may be obtained through the District.

Joint Powers Agencies and Public Entity Risk Pools

The District is associated with two joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the State Educators Liability Fund (SELF).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Restricted Cash and Cash Equivalents

Cash balances restricted by external sources such as grants and contracts are classified as restricted cash and cash equivalents in the Statement of Net Assets.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair market value. Fair market value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2007.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Inventory

Inventory consists primarily of expendable supplies held for consumption. Inventories are stated at the lower of cost or market, utilizing the first-in, first-out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 to 50 years; improvements, 20 to 25 years; equipment, 5 to 15 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met, are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

Unrestricted - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$25,884,012 of restricted net assets.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the State Teachers and the Public Employees Retirement Systems (STRS and PERS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,708,211 and \$0 for STRS and PERS, respectively.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the years ended June 30, 2007 and 2006, the District distributed \$1,531,820 and \$1,503,884, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncement

GASB Statement No. 45: In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's revenues, similar to the implementation for GASB Statements No. 34 and 35. GASB Statement No. 45 will be effective for the Grossmont-Cuyamaca Community College District on July 1, 2008. It is anticipated that the District will be in full compliance with this standard by the required implementation date.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 - CASH AND 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 - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair market 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 market 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.

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

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 5,058,683
Revolving cash fund	22,484
Investments	95,294,075
Total Deposits and Investments	<u>\$ 100,375,242</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County Investment Pool and in the MBIA Guaranteed Investment Contract.

Specific Identification

Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Market Value	Maturity Date
U.S. Treasury Cash Reserves	\$ 24,396	44 days*
First American Treasury Obligations Money		
Market Mutual Funds	10,310	15 days*
Investment agreement - Bayerische Landesbank	213,316	April 1, 2031
Investment agreement - MBIA INC.	50,321,518	February 27, 2008
County Pool - San Diego	44,682,246	171 days*
Total	<u>\$ 95,251,786</u>	

* Weighted average days to maturity

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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 County pool is not required to be rated, nor has it been rated as of June 30, 2007. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Market Value	Minimum Legal Rating	Rating June 30, 2007
U.S. Treasury Cash Reserves	\$ 24,396	Not Applicable	AAA
First American Treasury Obligations Money Market Mutual Funds	10,310	Not Applicable	Aaa
Investment agreement - Bayerische Landesbank	213,316	Not Applicable	Not Applicable
Investment agreement - MBIA INC.	50,321,518	Not Applicable	Not Applicable
County Pool - San Diego	44,682,246	Not Applicable	AAA
Total	<u>\$ 95,251,786</u>		

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2007, the District's bank balance of \$4,683,303 was exposed to custodial credit risk because it was uninsured; however, it was collateralized with securities held by the pledging financial institution's trust department or agent.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

	<u>2007</u>	<u>2006</u>
Federal Government		
Categorical aid	\$ 1,316,805	\$ 1,652,818
State Government		
Apportionment	3,632,840	3,128,646
Categorical aid	1,096,495	608,738
Lottery	1,299,635	1,461,403
Other State sources	1,624,830	8,732,220
Local Government		
Interest	1,630,741	1,969,836
Other local sources	1,631,243	1,251,820
Total	<u>\$ 12,232,589</u>	<u>\$ 18,805,481</u>

Accounts receivable for the Auxiliary consist primarily of amounts due from State funding sources and are considered to be fully collectable in the opinion of management.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2007, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 1,818,942	\$ -	\$ -	\$ 1,818,942
Construction in progress	64,099,739	63,971,423	1,831,512	126,239,650
Total Capital Assets Not Being Depreciated	<u>65,918,681</u>	<u>63,971,423</u>	<u>1,831,512</u>	<u>128,058,592</u>
Capital Assets Being Depreciated				
Buildings	69,625,230	120,692	-	69,745,922
Site improvements	26,161,318	1,710,820	-	27,872,138
Furniture and equipment	6,273,323	1,179,480	278,952	7,173,851
Total Capital Assets Being Depreciated	<u>102,059,871</u>	<u>3,010,992</u>	<u>278,952</u>	<u>104,791,911</u>
Total Capital Assets	<u>167,978,552</u>	<u>66,982,415</u>	<u>2,110,464</u>	<u>232,850,503</u>
Less Accumulated Depreciation				
Buildings	18,803,561	1,450,170	-	20,253,731
Site improvements	5,472,999	1,005,801	-	6,478,800
Furniture and equipment	4,639,537	716,847	278,952	5,077,432
Total Accumulated Depreciation	<u>28,916,097</u>	<u>3,172,818</u>	<u>278,952</u>	<u>31,809,963</u>
Net Capital Assets	<u>\$ 139,062,455</u>	<u>\$ 63,809,597</u>	<u>\$ 1,831,512</u>	<u>\$ 201,040,540</u>

Depreciation expense for the year was \$3,172,818.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Capital asset activity for the District for the fiscal year ended June 30, 2006, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 1,818,942	\$ -	\$ -	\$ 1,818,942
Construction in progress	20,487,968	54,493,116	10,881,345	64,099,739
Total Capital Assets Not Being Depreciated	<u>22,306,910</u>	<u>54,493,116</u>	<u>10,881,345</u>	<u>65,918,681</u>
Capital Assets Being Depreciated				
Buildings	69,078,277	546,953	-	69,625,230
Site improvements	15,921,343	10,239,975	-	26,161,318
Furniture and equipment	5,806,821	615,926	149,424	6,273,323
Total Capital Assets Being Depreciated	<u>90,806,441</u>	<u>11,402,854</u>	<u>149,424</u>	<u>102,059,871</u>
Total Capital Assets	<u>113,113,351</u>	<u>65,895,970</u>	<u>11,030,769</u>	<u>167,978,552</u>
Less Accumulated Depreciation				
Buildings	17,368,713	1,434,848	-	18,803,561
Site improvements	4,727,626	745,373	-	5,472,999
Furniture and equipment	4,109,213	653,690	123,366	4,639,537
Total Accumulated Depreciation	<u>26,205,552</u>	<u>2,833,911</u>	<u>123,366</u>	<u>28,916,097</u>
Net Capital Assets	<u>\$ 86,907,799</u>	<u>\$ 63,062,059</u>	<u>\$ 10,907,403</u>	<u>\$ 139,062,455</u>

Depreciation expense for the year was \$2,833,911.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2007	2006
Accrued payroll and benefits	\$ 1,196,369	\$ 1,303,665
Construction	9,630,335	8,176,431
Auxiliary organization	980,200	440,061
Other	6,249,202	3,959,887
Total	<u>\$ 18,056,106</u>	<u>\$ 13,880,044</u>

Accounts payable for the Auxiliary are primarily amounts owed to the District for services rendered.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	2007	2006
State categorical aid	\$ 1,481,695	\$ 616,798
Enrollment fees	765,075	859,315
Property taxes	-	1,102,641
Other	1,594,187	647,866
	<u>\$ 3,840,957</u>	<u>\$ 3,226,620</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations for the 2007 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, Series 2003A	\$ 45,600,000	\$ -	\$ 1,275,000	\$ 44,325,000	\$ 1,305,000
General obligation bonds, Series 2005B	100,267,694	456,721	-	100,724,415	98,474
Unamortized premium	6,658,364	-	277,432	6,380,932	-
Lease revenue bond, Series 2001A	2,200,000	-	95,000	2,105,000	100,000
Total Bonds and Notes Payable	<u>154,726,058</u>	<u>456,721</u>	<u>1,647,432</u>	<u>153,535,347</u>	<u>1,503,474</u>
Other Liabilities					
Compensated absences	2,749,951	263,257	-	3,013,208	200,000
Capital leases	41,040	-	10,200	30,840	10,239
Supplemental employee retirement plan	2,363,890	467,000	1,317,474	1,513,416	638,809
Total Other Liabilities	<u>5,154,881</u>	<u>730,257</u>	<u>1,327,674</u>	<u>4,557,464</u>	<u>849,048</u>
Total Long-Term Obligations	<u>\$ 159,880,939</u>	<u>\$ 1,186,978</u>	<u>\$ 2,975,106</u>	<u>\$ 158,092,811</u>	<u>\$ 2,352,522</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

The changes in the District's long-term obligations for the 2006 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, Series 2003A	\$ 49,600,000	\$ -	\$ 4,000,000	\$ 45,600,000	\$ 1,275,000
General obligation bonds, Series 2005B	100,045,896	221,798	-	100,267,694	-
Unamortized premium	6,935,796	-	277,432	6,658,364	-
Lease revenue bond, Series 2001A	2,285,000	-	85,000	2,200,000	95,000
Total Bonds and Notes Payable	158,866,692	221,798	4,362,432	154,726,058	1,370,000
Other Liabilities					
Compensated absences	2,461,025	288,926	-	2,749,951	200,000
Capital leases	-	51,407	10,367	41,040	10,200
Supplemental employee retirement plan	3,322,648	420,180	1,378,938	2,363,890	1,415,235
Total Other Liabilities	5,783,673	760,513	1,389,305	5,154,881	1,625,435
Total Long-Term Obligations	\$ 164,650,365	\$ 982,311	\$ 5,751,737	\$ 159,880,939	\$ 2,995,435

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The General Fund makes payments for the lease revenue bonds, capital leases, and the supplemental employee retirement plan. An accrued vacation will be paid by the fund for which the employee worked.

The lease revenue bonds were issued in July 2001 in the amount of \$2,480,000 to provide funds for capital improvements. At June 30, 2007, \$2,105,000 was outstanding. The lease revenue bonds mature through 2021 with interest rates ranging from 4.0 percent to 5.8 percent.

The District has utilized capital lease purchase agreements to purchase primarily equipment. The current lease purchase agreements will be paid through 2010.

Compensated absences refer to accumulated unpaid employee vacation benefits that are accrued as a liability as the benefits are earned. At June 30, 2007, the balance outstanding was \$3,013,208.

Bonded Debt

2002 General Obligation Bonds, Series 2003A

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was \$207,000,000. At June 30, 2007, \$55,000,000 had been issued and \$44,325,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

2002 General Obligation Bonds, Series 2005B

During June 2005, the District issued, from the November 2002 election, the General Obligation Bonds, Series B in the amount of \$99,999,623. The bonds issued included \$88,620,000 of current interest bonds and \$11,379,623 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$16,115,000. The bonds mature beginning on August 1, 2007 through August 1, 2029, with interest yields ranging from 3.10 percent to 4.31 percent. At June 30, 2007, the principal balance outstanding (including accreted interest to date) was \$100,724,415 and unamortized premium and issuance costs were \$6,380,932 and \$1,438,637, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2007
				Outstanding July 1, 2006	Issued	Addition	Redeemed	
2003	08/01/27	2.50%-5.00%	\$55,000,000	\$ 45,600,000	\$ -	\$ -	\$1,275,000	\$ 44,325,000
2005	08/01/29	3.10%-4.31%	99,999,623	100,267,694	-	456,721	-	100,724,415
				<u>\$145,867,694</u>	<u>\$ -</u>	<u>\$ 456,721</u>	<u>\$1,275,000</u>	<u>\$ 145,049,415</u>

The general obligation bonds, Series 2003A, mature through 2028 as follows:

Fiscal Year	Principal	Current Interest	
		to Maturity	Total
2008	\$ 1,305,000	\$ 2,115,663	\$ 3,420,663
2009	1,345,000	2,067,506	3,412,506
2010	1,400,000	2,007,425	3,407,425
2011	1,465,000	1,946,625	3,411,625
2012	1,525,000	1,886,825	3,411,825
2013-2017	8,720,000	8,268,788	16,988,788
2018-2022	11,110,000	5,807,000	16,917,000
2023-2027	14,180,000	2,660,500	16,840,500
2028	3,275,000	81,875	3,356,875
Total	<u>\$ 44,325,000</u>	<u>\$ 26,842,207</u>	<u>\$ 71,167,207</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The general obligation bonds, Series 2005B, mature through 2030 as follows:

Fiscal Year	Principal (including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2008	\$ 98,474	\$ 1,526	\$ 4,431,000	\$ 4,531,000
2009	429,262	20,738	4,431,000	4,881,000
2010	756,500	63,500	4,431,000	5,251,000
2011	1,067,901	132,099	4,431,000	5,631,000
2012	919,189	155,811	4,431,000	5,506,000
2013-2017	6,852,003	2,517,997	22,155,000	31,525,000
2018-2022	18,956,086	1,118,914	20,596,875	40,671,875
2023-2027	36,050,000	-	14,066,250	50,116,250
2028-2030	35,595,000	-	2,730,875	38,325,875
Total	<u>\$ 100,724,415</u>	<u>\$ 4,010,585</u>	<u>\$ 81,704,000</u>	<u>\$ 186,439,000</u>

Lease Revenue Bonds

The lease revenue bonds, Series 2001A, mature through 2021 as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 100,000	\$ 98,443	\$ 198,443
2009	110,000	94,443	204,443
2010	115,000	90,044	205,044
2011	115,000	85,444	200,444
2012	125,000	80,700	205,700
2013-2017	750,000	311,565	1,061,565
2018-2021	790,000	102,250	892,250
Total	<u>\$ 2,105,000</u>	<u>\$ 862,889</u>	<u>\$ 2,967,889</u>

Capital Leases

The District's liability on lease agreements with option to purchase is summarized below:

	Equipment
Balance, Beginning of Year	\$ 44,773
Additions	-
Payments and adjustments	11,860
Balance, End of Year	<u>\$ 32,913</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2008	\$ 11,432
2009	10,979
2010	10,502
Total	32,913
Less: Amount Representing Interest	2,073
Present Value of Minimum Lease Payments	<u>\$ 30,840</u>

Supplemental Early Retirement Plan

The District provides a Supplemental Early Retirement Plan (SERP) in accordance with Board approved agreements for both classified and academic employees. Under this program, the District will contribute annually to an annuity to provide supplemental income to early retirees. As of June 30, 2007, 136 employees qualified for this program. The future cost to the District as of June 30, 2007, was \$1,513,416. Payments are to be made from the District's General Fund according to the following schedule:

Year Ending June 30,	Payments
2008	\$ 638,809
2009	570,979
2010	303,628
Total	<u>\$ 1,513,416</u>

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits in accordance with District employment contracts to all employees and their eligible dependents who retire from the District until attaining age 65 with at least ten years of service. When the retiree attains age 65, all postemployment benefits cease. At June 30, 2007, a total of 92 employees met those eligibility requirements. The District contributes 100 percent of the amount of the benefit premium costs incurred by retirees and their dependents.

Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as premiums are paid. During the fiscal year, expenditures of \$1,222,164 were recognized for retirees' health care benefits. Under this plan, the District has agreed to continue to provide these benefits without any additional performance from these retirees. The District does not recognize a liability for future postemployment health care benefits because the amount cannot be reasonably determined.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2007, the District contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authority and the State Educators Liability Fund (SELF) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2006-2007, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$3,121,150, \$2,959,895, and \$2,748,069, respectively, and equal 100 percent of the required contributions for each year.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Grossmont-Cuyamaca Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2006-2007 was 9.124 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006, and 2005, were \$1,862,328, \$1,815,867, and \$1,904,608, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$1,708,211 (4.517 percent) of salaries subject to STRS. A contribution from the State to CalPERS was not required for the year ended June 30, 2007. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

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 District at June 30, 2007.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Expenditures for rent under leases for the year ended June 30, 2007, amounted to approximately \$418,000. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2008	\$ 412,862
2009	285,333
2010	151,660
Total	<u>849,855</u>
Less: Amount Representing Interest	76,487
Present Value of Minimum Lease Payments	<u><u>\$ 773,368</u></u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Cuyamaca College		
Science and Technology	\$ 1,096,468	06/30/07
Science and Technology - Equipment	329,418	12/31/08
Student Center	4,388,493	02/15/08
Student Center - Equipment	755,424	12/31/08
Communication Arts Building	8,618,759	06/30/08
Communication Arts Building - Equipment	905,514	12/31/08
Business/CSIS Building	755,530	02/01/10
Library Expansion	66,112	Design Phase
Subtotal	<u>16,915,718</u>	
Grossmont College		
Science Building	546,446	06/30/07
Science Building - Equipment	15,384	06/30/08
Digital Arts/Sculpture Building	906,544	06/30/07
Digital Arts/Sculpture Building - Equipment	7,516	06/30/08
Health Science (West 300) Remodel	2,114,267	02/01/10
Student Services/Student Center Renovation	773,147	Design Phase
Parking Expansion	470,118	02/01/09
Exercise Science and Wellness Complex Renovation	6,710,821	08/01/08
Subtotal	<u>11,544,243</u>	
Total	<u>\$ 28,459,961</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the State Educators Liability Fund (SELF) joint powers authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2007, the District made payments of \$1,255,325 and \$131,701 to ASCIP and SELF, respectively.

SUPPLEMENTARY INFORMATION

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GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2007

The Grossmont-Cuyamaca Community College District is located in the eastern area of San Diego County and was formed in 1961 with Grossmont College located in El Cajon. In 1978, Cuyamaca College was completed to serve students in the Rancho San Diego area of the District. Both colleges are fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. There have been no changes in the District's boundaries during the year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Richard D. Alexander	President	December 2010
Bill Garrett	Vice President	December 2008
Deanna Weeks	Clerk	December 2010
Greg Barr	Trustee	December 2010
Timothy L. Caruthers, D.C.	Trustee	December 2008

ADMINISTRATION

Omero Suarez, Ph.D.	Chancellor
Geraldine M. Perri, Ph.D.	President, Cuyamaca College
Sunita V. Cooke, Ph.D.	President, Grossmont College
Sue Rearic	Interim Vice Chancellor - Business Services
Ben Lastimado	Vice Chancellor - Human Resources and Labor Relations

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION		
STUDENT FINANCIAL AID CLUSTER		
Federal Supplemental Educational Opportunity Grant - FSEOG	84.007	\$ 423,628
Federal Family Education Loans	84.032	1,531,820
Federal College Work Study - FWS	84.033	466,312
Federal Pell Grant - PELL	84.063	8,117,667
Student Financial Aid Administrative costs	84.063	61,916
Academic Competitive Grant (ACG)	84.375	14,875
HIGHER EDUCATION ACT		
Title III - Strengthening Institutions	84.031A	357,562
Technical Equipment for Specific Science Programs	84.116Z	2,404
Gaining Early Awareness and Readiness For Undergraduate Program (GEAR-UP) - Math and Science	84.334A	978,877
Child Care Access Means Parents in School (CCAMPIS)	84.335A	60,763
VOCATIONAL AND TECHNICAL EDUCATION ACT		
Passed through State Chancellor's Office		
VTEA IC	84.048	759,501
VTEA IB - Regional Consortium	84.048	188,156
VTEA IB - JSPAC	84.048	213,048
VTEA III - Tech Prep	84.243	138,810
Tech Prep Regional Coordination	84.243	34,660
Passed through from the County of San Diego		
VTEA/ROP	84.048	35,492
U.S. DEPARTMENT OF AGRICULTURE		
Passed through from the California Department of Education		
Child and Adult Care Food Program	10.558	42,873
U.S. DEPARTMENT OF LABOR		
WORKFORCE INVESTMENT ACT		
Passed through State Chancellor's Office		
Regional Nursing Education Partnership of San Diego and Imperial Counties	17.267	716,906

See accompanying note to supplementary information.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Total Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
HRSA - Nurse Education	93.359	\$ 444,980
Passed through State Chancellor's Office		
Temporary Assistance to Needy Families	93.558	85,903
Passed through from the San Diego State University Research Foundation		
San Diego Bridges to the Baccalaureate	93.859	4,000
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veteran's Education Reporting Fee	64.000	13,324
NATIONAL SCIENCE FOUNDATION		
National Science Foundation ITT	47.076	128,627
OTHER FEDERAL REVENUE		
AT&T Science Grant	Grant ID# 06A015	29,124
Total Expenditures of Federal Awards		<u>\$ 14,851,228</u>

See accompanying note to supplementary information.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
State Categorical Aid Programs:			
Basic Skills	\$ 619,921	\$ -	\$ 619,921
Board of Governors Grant - BFAP	718,281	841	719,122
Capacity Building RN	110,000	179,172	289,172
CalPass Project	2,000,000	178,784	2,178,784
CalWORKS	573,140	-	573,140
Career Exploration	150,000	-	150,000
Career Tech Ed	615,353	-	615,353
CEITAN Child Development (Cuyamaca)	-	974	974
Cooperative Agencies Resources for Education	291,319	47,886	339,205
Disabled Students Programs and Services	1,766,009	226,288	1,992,297
Economic Development - REBRAC	205,000	3,284	208,284
Economic Development - RHORC	205,000	15,462	220,462
Economic Development - Professional Development Academy	-	107,462	107,462
Extended Opportunity Program	1,607,617	22,426	1,630,043
Foster Care Education	939,254	1,288	940,542
General Child Care	545,936	19,999	565,935
General Child Care Instructional Materials	1,855	4	1,859
IDRC	367,827	-	367,827
Infant Toddler Resource	3,665	79	3,744
Infant Toddler Demo Site	35,000	-	35,000
Middle College HS	136,769	25,497	162,266
Matriculation	1,356,506	2,470	1,358,976
Pre-K Resource CDC	3,803	(1,493)	2,310
Quick Start Allied Health	-	450,000	450,000
Reg Nurse Education Partnership	231,618	876,703	1,108,321
Reg Online Nursing	47,500	-	47,500
Staff Diversity	19,413	83,344	102,757
State Block Grants	1,842,150	217,569	2,059,719
TANF - Child Development Careers	48,814	-	48,814
TTIP	104,511	116,299	220,810
Wellpoint	331,776	-	331,776
R Fd Revenue Adj Budget	-	139,763	139,763
Prop 20 Lottery Funds	385,263	10,022	395,285

See accompanying note to supplementary information.

Program Revenue				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 619,921	\$ -	\$ 478,782	\$ 141,139	\$ 141,139
718,281	-	-	718,281	718,281
289,192	-	9,718	279,474	279,474
1,778,784	110,844	-	1,889,628	1,889,628
543,288	-	24,855	518,433	518,433
-	11,553	-	11,553	11,552
615,353	-	226,780	388,573	388,573
-	-	-	-	-
285,644	-	20,246	265,398	265,398
1,989,557	-	108,696	1,880,861	1,880,861
175,484	22,733	-	198,217	198,217
185,388	32,799	-	218,187	218,187
77,794	29,667	-	107,461	107,461
1,606,196	-	10,712	1,595,484	1,595,484
557,246	382,062	-	939,308	939,308
552,335	-	-	552,335	537,543
1,855	-	-	1,855	1,855
308,976	-	116,647	192,329	192,329
2,151	1,491	-	3,642	3,642
14,478	20,522	-	35,000	35,000
119,893	28,979	-	148,872	148,872
1,349,849	-	11,140	1,338,709	1,338,709
2,803	8	-	2,811	1,318
90,000	21,636	-	111,636	111,636
221,644	107,214	-	328,858	328,858
47,500	-	47,500	-	-
22,591	-	19,413	3,178	3,178
2,009,976	-	334,199	1,675,777	1,675,777
38,372	20,095	-	58,467	58,467
104,511	-	73,007	31,504	31,504
(26,076)	306,892	-	280,816	280,816
33,493	-	-	33,493	33,493
395,285	-	-	395,285	395,285
<u>\$ 14,731,764</u>	<u>\$ 1,096,495</u>	<u>\$ 1,481,695</u>	<u>\$ 14,346,564</u>	<u>\$ 14,330,278</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2007**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
Credit Full-Time Equivalent Student (FTES)			
1. Summer	1,740	-	1,740
2. Weekly census	13,725	-	13,725
3. Daily census	1,394	-	1,394
4. Actual hours of attendance	201	-	201
5. Independent study/work experience	45	-	45
Subtotal	<u>17,105</u>	<u>-</u>	<u>17,105</u>
Noncredit FTES			
1. Summer	63	-	63
2. Actual hours of attendance	881	-	881
Subtotal	<u>944</u>	<u>-</u>	<u>944</u>
Total FTES	<u>18,049</u>	<u>-</u>	<u>18,049</u>
Basic Skills Courses			
1. Credit			1,259
2. Noncredit			<u>351</u>
Total Basic Skills FTES			<u>1,610</u>
FTES Generated in Leased Space			<u>163</u>

See accompanying note to supplementary information.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2007.

See accompanying note to supplementary information.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

**Amounts Reported for Governmental Activities in the Statement of
Net Assets are Different Because:**

Total Fund Balance and Due to Student Groups:

General Fund	\$ 13,126,073	
Special Revenue Funds	2,112,443	
Capital Projects Funds	62,777,446	
Debt Service Funds	15,417,394	
Internal Service Fund	1,818,926	
Fiduciary Funds	<u>2,846,698</u>	
		\$ 98,098,980

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	232,850,503	
Accumulated depreciation is	(31,809,963)	
Less fixed assets already recorded in the fiduciary funds	<u>(5,378)</u>	201,035,162

Amounts held in trust on behalf of others (Trust and Agency Funds) (2,633,915)

Expenditures relating to the issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis. 1,438,637

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (2,760,544)

To reduce cash with fiscal agent for escrow amount due on payoff of defeased bonds due October 1, 2007. (6,921,155)

Long-term obligations at year end consist of:

General obligation bond payable	151,430,347	
Lease revenue bond payable	2,105,000	
Supplemental employee retirement plan	1,513,416	
Capital leases	30,840	
Compensated absences	<u>3,013,208</u>	(158,092,811)
Total Net Assets		<u><u>\$ 130,164,354</u></u>

See accompanying note to supplementary information.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' 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***

Board of Trustees
Grossmont-Cuyamaca Community College District
El Cajon, California

We have audited the financial statements of Grossmont-Cuyamaca Community College District (the District) as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 21, 2007. We conducted our audits in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Grossmont-Cuyamaca Community College District's internal control over financial reporting as a basis for designing our auditing procedures 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 Grossmont-Cuyamaca Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grossmont-Cuyamaca Community College District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grossmont-Cuyamaca Community College District's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, June, Day & Co. LLP

Rancho Cucamonga, California
December 21, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Grossmont-Cuyamaca Community College District
El Cajon, California

Compliance

We have audited the compliance of Grossmont-Cuyamaca Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. Grossmont-Cuyamaca Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Grossmont-Cuyamaca Community College District's management. Our responsibility is to express an opinion on Grossmont-Cuyamaca Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Grossmont-Cuyamaca Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grossmont-Cuyamaca Community College District's compliance with those requirements.

In our opinion, Grossmont-Cuyamaca Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Grossmont-Cuyamaca Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Grossmont-Cuyamaca Community College District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Grossmont-Cuyamaca Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the Federal Awards Findings and Questioned Costs as item 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the Federal Awards Findings and Questioned Costs to be material weaknesses.

Grossmont-Cuyamaca Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Grossmont-Cuyamaca Community College District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Haurinck, Irine, Day & Co. CP

Rancho Cucamonga, California
December 21, 2007



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Grossmont-Cuyamaca Community College District
El Cajon, California

We have audited the financial statements of the Grossmont-Cuyamaca Community College District (the District) for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 21, 2007.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 436: Minimum Conditions - Standards of Scholarship

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings 2007-2 through 2007-5 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the Grossmont-Cuyamaca Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vausnick, Fine, Day & Co. LLP

Rancho Cucamonga, California
December 21, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.032, 84.033, 84.063, 84.007, and 84.375	Student Financial Aid Cluster
<u>93.359</u>	<u>HRSA - Nurse Education</u>
17.267	Regional Nursing Education Partnership of San Diego and Imperial Counties

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 445,537</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

The following findings represent control deficiencies including questioned costs that are required to be reported by OMB Circular A-133.

Subrecipient Monitoring

2007-1 Finding

Federal Programs Affected - HRSA - Nurse Education (CFDA Number 93.359) and WIA RNEP (CFDA Number 17.267)

Criteria

OMB Circular A-133, Audits of State and Local Governments and Not-for-profit Organizations, Section 400 (d) Pass-through entity responsibilities. The District must be responsible for accurately communicating requirements, monitoring compliance, ensuring proper reporting and follow-up on any corrective actions that result from audits that the subrecipient must have annually.

Condition

Control Deficiency - During testing of Federal requirements for HRSA - Nurse Education (CFDA Number 93.359) and WIA RNEP (CFDA Number 17.267), it appears that various entities are receiving Federal funds from the District, but the District does not have documented in writing procedures in place to ensure that these entities are reporting the monies as Federal revenue and receiving a Federal audit as required.

Effect

Non-compliance with Federal documentation requirements by subrecipients can place the District at risk of not being able to prove compliance with Federal guidelines.

Questioned Costs

None noted.

Recommendation

Effective documentation should be maintained that includes agreements with the name of the award, awarding agency, and Catalog of Federal Domestic Assistance numbers. Clear identification of applicable Federal compliance requirements, oversight and follow-up requirements should be integrated into agreements.

District Response

Subrecipients' contracts are monitored and procedures are in place to ensure compliance with Federal regulations. The District will document this oversight.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

Standards of Scholarships

2007-2 Finding

Criteria

In accordance with CCR, Title 5, Section 55758.5, when computing a student's degree applicable grade point average, grades earned in a non-degree credit course shall not be included.

Condition

Significant Deficiency - Instance of Noncompliance - Grossmont College and Cuyamaca College did not ensure that student grade point averages are not including non-degree courses. The auditor noted one non-degree course at both campuses that was included in GPA calculation.

Effect

Including non-degree courses in a student's grade point average results in a misrepresentation of the student's academic progress.

Recommendation

The District should ensure that the student system is properly excluding all non-degree applicable courses from the calculation of a student's GPA.

District Response

Because of a recent change to non-degree credit courses, the student system currently includes non-degree credit courses when computing a student's grade point average. Procedures have been established to address this issue and ensure compliance.

Course Repetition

2007-3 Finding

Criteria

Title 5, Sections 55763 and 58161 (b) allows one repetition of a course where substandard work has previously been recorded. The College/District can claim apportionment for the repetition of the course and the provision would also allow the previous grade to be disregarded and the new one counted in the calculation of the student's grade point average. It is prohibited for districts to claim apportionment for repeats beyond the first. However, any district may permit unlimited course repetition as long as it does not claim apportionment or award credit for repetitions in excess of the limits imposed by the regulations.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Condition

Significant Deficiency - Instance of Noncompliance - Students who had repeated the same course two times or more due to substandard coursework being recorded and noted that the District was claiming apportionment for the second and all additional repeats.

Effect

Failure to track and exclude apportionment for those instances of repeatable courses that are not allowed to be claimed results in the District receiving State funding in excess of what it is entitled to receive.

Recommendation

We recommend that the District follow the provisions stated which prohibits claiming apportionment for course repetitions beyond the first repetition.

District Response

The District has a Policy for Course Repetition, and it is being strictly followed. If a student enrolls in a class after two repeats, the system will automatically drop the student from the class. The student has to go through a rigid petition to request repeat of the course with an explanation and the petition has to be approved by Student Services. This process is very limited. The new student system will exclude those repetitions.

Concurrent Enrollment

2007-4 Finding

Criteria

Per Education Code Section 48800, for summer sessions, K-12 principals may not recommend more than five percent of the number of pupils who have completed a particular grade immediately prior to the time of the recommendation.

Condition

Significant Deficiency - Instance of Noncompliance - The District is not in compliance with the requirements for concurrent High School student enrollment as noted in Educational Code Section 48800 (b) (2). The District does not have a procedure in place to verify for summer session attendance that the K-12 principals are certifying they have not recommended more than five percent of the total number of students who completed the grade immediately prior to the time of recommendation.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Effect

Failure to limit enrollment to maximum allowed for concurrently enrolled students may result in inappropriate State funding to either the District or another local education agency that the student may also attend.

Recommendation

The District should review the policies and establish procedures to verify for summer session attendance that the K-12 principals certify that they have not recommended more than five percent of the total number of students who completed the grade immediately prior to the time of recommendation. This procedure and/or statement could be added to the District's concurrent enrollment contract to comply with California Education Code 48000 (b) (2).

District Response

The District will establish procedures to ensure the certification is documented.

Student Health Fees

2007-5 Finding

Criteria

Significant Deficiency - Instance of Noncompliance - Districts are permitted to charge a mandatory health fee under Education Code Section 76355. However, they must exempt from payment of such a fee, students who depend exclusively on prayer for healing and apprenticeship students. It is required for the District to advise all students of the possible exemptions.

Condition

Grossmont College and Cuyamaca College did not disclose in their catalog or course schedules the exemption of health fees for students who depend exclusively on prayer for healing and apprenticeship students as noted in AB 982 Health Fee Waiver Guidance and AB 982 Health Fee Waiver Q & A, published by the Chancellor's Office.

Effect

The District is not in compliance with proper disclosure requirements with State Regulations and Education Code Section 76355.

Recommendation

The District should review their Board approved policies and documentation of student health fees noted in the college's catalog or class schedules in order to assure proper compliance with State regulations and Education Code Section 76355.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

District Response

As part of the 2005-2006 audit response, electronic notifications were updated. Printed publications for the catalog and schedule were updated in the next cycle.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

STATE COMPLIANCE

Standards of Scholarship

2006-1 Finding

Students are allowed to repeat a course to better a substandard grade one time for State Apportionment credit and to affect the overall grade point average (GPA). We noted that students' GPA was affected by the repeating of courses two or more times. The FTES calculation properly excluded those students not meeting the requirements for apportionment credit.

Recommendation

We recommend that the District monitor the calculation of the students' GPA to ensure that grades earned in the second repetition are not counted in calculation of the overall GPA.

Current Status

Implemented.

Self Assessment of Noncredit Classes

2006-2 Finding

The State Chancellor's Office provided direction to districts to complete a self-assessment of noncredit classes. The District completed the checklist for the computer/library lab courses and properly submitted them to the Chancellor's Office. However, the District did not complete the self-assessment checklists for all other noncredit courses as of June 30, 2006.

Recommendation

We recommend that the District review their noncredit offerings for compliance with the State Chancellor's Office and complete the self-assessment checklists for all noncredit courses.

Current Status

Implemented.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Concurrent Enrollment

2006-3 Finding

The District is not in compliance with the requirements for concurrent High School student enrollment as noted in Educational Code Section 48800 (b)(2). The District does not have a procedure in place to verify for summer session attendance that the K-12 principals are certifying they have not recommended more than five percent of the total number of students who completed the grade immediately prior to the time of recommendation.

Recommendation

The District should review the policies and establish procedures to verify for summer session attendance that the K-12 principals certify that they have not recommended more than five percent of the total number of students who completed the grade immediately prior to the time of recommendation. This procedure and/or statement could be added to the District's concurrent enrollment contract to comply with California Education Code 48000 (b)(2).

Current Status

Not implemented. See current year finding 2007-4.

Student Health Fees

2006-4 Findings

We noted the following areas of concern regarding student health fees:

- Grossmont and Cuyamaca College did not disclose in their catalog or course schedules the exemption of health fees for students who depend on prayer for healing in accordance with teachings of a bona fide religious sect, denomination, or organization.
- In addition, Grossmont College did not adequately describe the health fees charged to students in the catalog or course schedule.

Recommendation

The District should review their Board approved policies and documentation of student health fees noted in the College's catalog or class schedules in order to assure proper compliance with State regulations.

Current Status

Not implemented. See current year finding 2007-5.

