

**GROSSMONT-CUYAMACA  
COMMUNITY COLLEGE DISTRICT**

**COUNTY OF SAN DIEGO**

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2012**

**christy****white**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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AUDIT REPORT  
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## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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 fiscal years ended June 30, 2012 and 2011, 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 Grossmont-Cuyamaca Community College District's management. Our responsibility is to express opinions 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 of America. 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the 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, 2012 and 2011, and the respective changes in financial position and cash flows, for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 4, 2012, 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.

### SAN DIEGO

2727 Camino Del Rio South  
Suite 219  
San Diego, CA 92108

### RANCHO CUCAMONGA

8686 Haven Avenue  
Suite 250  
Rancho Cucamonga, CA 91730

### ALAMEDA

1050 Marina Village Parkway  
Suite 201  
Alameda, CA 94501

tel: 619.270.8222

fax: 619.260.9085

www.cwacpa.com

Licensed by the California  
State Board of Accountancy

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements, but are 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 inquiring 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 audits were performed for the purpose of forming opinions on the financial statements that collectively comprise Grossmont-Cuyamaca Community College District's basic financial statements. The other 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*, is presented for purposes of additional analysis and is 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Christy White Associates*

San Diego, California  
December 4, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2012**

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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 28,000 students per semester. Full-Time Equivalent Student (FTES) for 2011-12 was 17,819.

The following discussion and analysis provides an overview of the financial position and activities of the Grossmont-Cuyamaca Community College District for the fiscal year ended June 30, 2012. 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 decreased by \$28.9 million or 24.2 percent. The decrease is primarily attributable to a decrease in student tuition and fees and an increase in supplies, materials and other operating expenses and services.

**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 Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows for the District as a whole
- Notes to financial statements

Additionally, fund balance is referred to as Net Assets, and the Statements of Cash Flows are 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 (Unaudited), continued**  
**For the Fiscal Year Ended June 30, 2012**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Statements of Net Assets present the assets, liabilities, and net assets of the District as of the end of the fiscal years ended June 30, 2012 and 2011 and are 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, Invested 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 Statements of Revenues, Expense, and Changes in Net Assets represent the operating results of the District. The purpose of the statements 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, these statements present the District's results of operations.

Changes in total net assets, as indicated on the Statements of Net Assets are based on the activity presented in the Statements 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. Non-operating 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 Statements of Cash Flows provide information about cash receipts and cash payments during the fiscal year, major uses, and sources of cash. These statements also help users assess the District's ability to generate positive cash flows, meet obligations as they become due and evaluate the need for external financing.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited), continued**  
**For the Fiscal Year Ended June 30, 2012**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Statements of Cash Flows are divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of 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 provided 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 Statements of Revenues, Expenses, and Changes in Net Assets. The net cash reconciliation is shown in the expanded version of the Statements of Cash Flows in the financial statements.

The Statements of Net Assets as of June 30, 2012, 2011, and 2010 are summarized below:

| (Amounts in thousands)                          | <u>2012</u>       | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|-------------------|
| Current assets                                  | \$ 70,906         | \$ 85,933         | \$ 104,849        |
| Capital assets                                  | 281,280           | 284,240           | 269,919           |
| Total Assets                                    | <u>352,186</u>    | <u>370,173</u>    | <u>374,768</u>    |
| Current liabilities                             | 34,231            | 23,916            | 24,585            |
| Long-term obligations                           | 227,379           | 226,785           | 230,126           |
| Total Liabilities                               | <u>261,610</u>    | <u>250,701</u>    | <u>254,711</u>    |
| Net assets                                      |                   |                   |                   |
| Invested in capital assets, net of related debt | 64,629            | 84,713            | 85,558            |
| Restricted                                      | 17,495            | 20,720            | 19,512            |
| Unrestricted                                    | 8,452             | 14,039            | 14,987            |
| Total Net Assets                                | <u>90,576</u>     | <u>119,472</u>    | <u>120,057</u>    |
| Total Liabilities and Net Assets                | <u>\$ 352,186</u> | <u>\$ 370,173</u> | <u>\$ 374,768</u> |

The District's total assets decreased \$18.0 million or 4.9 percent from the previous year. The majority of the decrease was based on a decrease to cash and cash equivalents, related to a decrease in operating revenues from student tuition and fees and increase in supplies, materials, and other operating expenses.

Total liabilities increased \$10.9 million or 4.4 percent. This is related mainly to the annual payments of general obligation bonds and accrued interest in 2011-12.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited), continued**  
**For the Fiscal Year Ended June 30, 2012**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2012, 2011, and 2010 are summarized below:

| (Amounts in thousands)   | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|-------------|
| Operating revenues   | \$ 60,550   | \$ 57,387   | \$ 53,988   |
| Operating expenses   | (174,326)   | (154,150)   | (152,401)   |
| Deficit before depreciation and nonoperating<br>income and expense | (113,776)   | (96,763)    | (98,413)    |
| Depreciation   | (7,104)     | (5,856)     | (4,735)     |
| Deficit before nonoperating income and expense                     | (120,880)   | (102,619)   | (103,148)   |
| Nonoperating income and expense, net                               | 91,984      | 102,035     | 111,028     |
| Increase (decrease) in Net Assets                                  | \$ (28,896) | \$ (584)    | \$ 7,880    |

The Changes in Net Assets comparison presents the District's results of operations and shows a decrease in net assets of \$28.9 million. The operating loss increased \$18.3 million or 17.8% percent. State apportionment and property taxes are recorded in nonoperating income.

The Statements of Cash Flows for the fiscal years ended June 30, 2012, 2011, and 2010 are summarized below:

| (Amounts in thousands)                        | <u>2012</u>  | <u>2011</u> | <u>2010</u> |
|---|--------------|-------------|-------------|
| Operating activities                          | \$ (104,958) | \$ (92,796) | \$ (85,613) |
| Noncapital financing activities               | 101,570      | 95,065      | 100,142     |
| Capital and related financing activities      | (14,673)     | (23,576)    | (22,142)    |
| Investing activities                          | 295          | 1,806       | 951         |
| Net Change in Cash and Cash Equivalents       | (17,766)     | (19,501)    | (6,662)     |
| Cash and Cash Equivalents - Beginning of Year | 60,764       | 80,266      | 86,928      |
| Cash and Cash Equivalents - End of Year       | \$ 42,998    | \$ 60,765   | \$ 80,266   |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited), continued**  
**For the Fiscal Year Ended June 30, 2012**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**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. Net assets of fiduciary activities are excluded from the District's net assets because the District cannot use fiduciary assets to finance its 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, 2012, the District had approximately \$336.2 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 \$54.9 million, leaving a net asset amount of \$281.3 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)   | <u>2012</u>       | <u>2011</u>    | <u>2010</u>    |
|--------------------------|-------------------|----------------|----------------|
| Land                     | \$ 1,819          | \$ 1,819       | \$ 1,819       |
| Construction in progress | 2,726             | 41,438         | 106,958        |
| Site improvements        | 36,593            | 38,117         | 38,372         |
| Buildings                | 239,106           | 201,877        | 121,822        |
| Equipment                | 1,036             | 989            | 948            |
| Total                    | <u>\$ 281,280</u> | <u>284,240</u> | <u>269,919</u> |

Total net capital assets decreased \$3.0 million or 1.0 percent as the result of depreciation of \$6.9 million offset against net capital asset additions of \$3.9 million. Major construction consisted of the completion of construction projects at Grossmont College which are reflected as a significant increase in buildings. The Grossmont College Griffin Center/Student & Administration Services was completed in Spring 2012.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited), continued**  
**For the Fiscal Year Ended June 30, 2012**

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**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

In 2011-12, the District reported 17,819 Resident FTES. The State funded only 16,813. The State continues to impose cash deferrals which impact the District's operational abilities and result in the District's need to borrow funds to continue operations.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Vice Chancellor, Business Services, at Grossmont-Cuyamaca Community College District, 8800 Grossmont College Drive, El Cajon, California 92020-1799.

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## **FINANCIAL SECTION**

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

|   | 2012                 | 2011                  |
|---|----------------------|-----------------------|
| <b>ASSETS</b>   |                      |                       |
| <b>CURRENT ASSETS</b>                                       |                      |                       |
| Cash and cash equivalents                                   | \$ 42,997,966        | \$ 60,764,385         |
| Investments   | 213,316              | 213,316               |
| Accounts receivable   | 24,310,756           | 21,633,074            |
| Prepaid expenses  | 300,328              | 10,875                |
| Stores inventories  | 77,584               | 63,394                |
| Deferred cost on issuance                                   | 3,006,215            | 3,248,075             |
| <b>Total Current Assets</b>                                 | <b>70,906,165</b>    | <b>85,933,119</b>     |
| <b>NONCURRENT ASSETS</b>                                    |                      |                       |
| Nondepreciable capital assets                               | 4,545,397            | 43,256,613            |
| Depreciable capital assets, net of accumulated depreciation | 276,734,700          | 240,983,351           |
| <b>Total Noncurrent Assets</b>                              | <b>281,280,097</b>   | <b>284,239,964</b>    |
| <b>TOTAL ASSETS</b>   | <b>352,186,262</b>   | <b>370,173,083</b>    |
| <b>LIABILITIES</b>  |                      |                       |
| <b>CURRENT LIABILITIES</b>                                  |                      |                       |
| Accounts payable  | 7,098,447            | 9,060,700             |
| Accrued interest payable                                    | 2,468,545            | 2,585,467             |
| Current loan  | 9,697,774            | -                     |
| Deferred revenue  | 3,363,811            | 2,603,308             |
| Amounts held in trust on behalf of others                   | 3,302,132            | 2,069,630             |
| Bonds payable - current portion                             | 7,479,507            | 6,739,507             |
| Other long-term obligations - current portion               | 820,790              | 857,353               |
| <b>Total Current Liabilities</b>                            | <b>34,231,006</b>    | <b>23,915,965</b>     |
| <b>NONCURRENT LIABILITIES</b>                               |                      |                       |
| Compensated absences payable - noncurrent portion           | 2,863,011            | 3,079,301             |
| Bonds payable - noncurrent portion                          | 219,219,107          | 221,623,911           |
| Other long-term obligations - noncurrent portion            | 5,296,932            | 2,081,665             |
| <b>Total Noncurrent Liabilities</b>                         | <b>227,379,050</b>   | <b>226,784,877</b>    |
| <b>TOTAL LIABILITIES</b>                                    | <b>261,610,056</b>   | <b>250,700,842</b>    |
| <b>NET ASSETS</b>   |                      |                       |
| Invested in capital assets, net of related debt             | 64,628,698           | 84,713,532            |
| Restricted for:   |                      |                       |
| Debt service  | 9,978,165            | 9,114,767             |
| Capital projects  | 7,517,633            | 11,605,195            |
| Unrestricted  | 8,451,710            | 14,038,747            |
| <b>TOTAL NET ASSETS</b>                                     | <b>\$ 90,576,206</b> | <b>\$ 119,472,241</b> |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

|  | <u>2012</u>          | <u>2011*</u>          |
|--|----------------------|-----------------------|
| <b>OPERATING REVENUES</b>                                      |                      |                       |
| Student Tuition and Fees                                       | \$ 24,325,377        | \$ 24,113,964         |
| Less: Scholarship discount and allowance                       | (10,493,180)         | (7,445,542)           |
| Net tuition and fees   | <u>13,832,197</u>    | <u>16,668,422</u>     |
| Grants and Contracts, noncapital:                              |                      |                       |
| Federal  | 33,112,482           | 34,165,395            |
| State  | 7,444,460            | 9,593,731             |
| Internal Service Sales and Charges                             | 6,161,102            | 6,959,120             |
| Subtotal   | <u>46,718,044</u>    | <u>50,718,246</u>     |
| <b>TOTAL OPERATING REVENUES</b>                                | <u>60,550,241</u>    | <u>67,386,668</u>     |
| <b>OPERATING EXPENSES</b>                                      |                      |                       |
| Salaries   | 68,099,804           | 70,219,515            |
| Employee benefits  | 34,641,681           | 30,839,764            |
| Supplies, materials, and other operating expenses and services | 71,585,267           | 63,091,287            |
| Depreciation   | 7,103,967            | 5,855,757             |
| <b>TOTAL OPERATING EXPENSES</b>                                | <u>181,430,719</u>   | <u>170,006,323</u>    |
| <b>OPERATING LOSS</b>  | <u>(120,880,478)</u> | <u>(102,619,655)</u>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                        |                      |                       |
| State apportionments, noncapital                               | 50,086,490           | 57,478,761            |
| Local property taxes   | 39,613,106           | 38,263,125            |
| State taxes and other revenues                                 | 3,358,344            | 3,485,658             |
| Investment income, net   | 239,118              | 623,404               |
| Interest expense on capital asset-related debt                 | (15,106,585)         | (7,376,541)           |
| Interest income on capital asset-related debt                  | 36,151               | 1,322,824             |
| Other nonoperating revenue                                     | 11,049,183           | 4,221,598             |
| <b>TOTAL NONOPERATING REVENUES</b>                             | <u>89,275,807</u>    | <u>98,018,829</u>     |
| <b>LOSS BEFORE OTHER REVENUES</b>                              | <u>(31,604,671)</u>  | <u>(4,600,826)</u>    |
| State revenues, capital  | 2,708,636            | 4,016,025             |
| <b>TOTAL OTHER REVENUES</b>                                    | <u>2,708,636</u>     | <u>4,016,025</u>      |
| <b>INCREASE/(DECREASE) IN NET ASSETS</b>                       | (28,896,035)         | (584,801)             |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                           | <u>119,472,241</u>   | <u>120,057,042</u>    |
| <b>NET ASSETS, END OF YEAR</b>                                 | <u>\$ 90,576,206</u> | <u>\$ 119,472,241</u> |

\*Classification for 2010-11 has been adjusted for comparability with current year presentation

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |                      |                      |
| Tuition and fees                                       | \$ 22,560,032        | \$ 21,879,437        |
| Grants and contracts                                   | 42,072,599           | 33,271,735           |
| Payments to or on behalf of employees                  | (102,795,860)        | (98,482,672)         |
| Payments to vendors for supplies and services          | (43,853,590)         | (22,633,006)         |
| Payments to students for scholarships and grants       | (31,135,921)         | (33,382,394)         |
| Internal service sales and charges                     | 8,194,958            | 6,550,804            |
| Net Cash Flows From Operating Activities               | <u>(104,957,782)</u> | <u>(92,796,096)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b> |                      |                      |
| State apportionments                                   | 46,468,261           | 62,115,989           |
| Property taxes   | 39,613,106           | 31,650,777           |
| State taxes and other revenue                          | 14,696,353           | 644,377              |
| Other nonoperating revenues                            | 792,380              | 653,534              |
| Net Cash Flows From Noncapital Financing Activities    | <u>101,570,100</u>   | <u>95,064,677</u>    |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>    |                      |                      |
| Acquisition and construction of capital assets         | (4,144,100)          | (21,618,384)         |
| Proceeds from debt service account                     | -                    | 5,857,000            |
| State apportionments, capital projects                 | 2,708,636            | 3,896,185            |
| Principal paid on capital debt                         | (5,344,492)          | (4,402,272)          |
| Interest paid on capital debt                          | (7,929,959)          | (7,376,541)          |
| Interest received on capital debt                      | 36,151               | 67,590               |
| Net Cash Flows From Capital Financing Activities       | <u>(14,673,764)</u>  | <u>(23,576,422)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                      |                      |
| Investment income                                      | 295,027              | 1,806,277            |
| Net Cash Flows From Investing Activities               | <u>295,027</u>       | <u>1,806,277</u>     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>         | <b>(17,766,419)</b>  | <b>(19,501,564)</b>  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>    | <b>60,764,385</b>    | <b>80,265,949</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>          | <b>\$ 42,997,966</b> | <b>\$ 60,764,385</b> |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

|   | <u>2012</u>             | <u>2011</u>            |
|---|-------------------------|------------------------|
| <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b> |                         |                        |
| Operating Loss  | \$ (119,015,438)        | \$ (102,619,655)       |
| Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:    |                         |                        |
| Depreciation expense  | 7,103,967               | 5,855,757              |
| Changes in Assets and Liabilities:  |                         |                        |
| Receivables, net  | 2,998,479               | 817,245                |
| Inventories   | 18,030                  | 63,530                 |
| Prepaid items   | 289,453                 | (10,875)               |
| Accounts payable and accrued liabilities  | 5,640,732               | 4,500,486              |
| Deferred revenue  | (760,503)               | (1,337,249)            |
| Funds held for others   | (1,232,502)             | (65,335)               |
| Total Adjustments   | <u>14,057,656</u>       | <u>9,823,559</u>       |
| <b>Net Cash Flows From Operating Activities</b>   | <u>\$ (104,957,782)</u> | <u>\$ (92,796,096)</u> |
| <br><b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING</b>                           |                         |                        |
| Cash in banks   | \$ 3,656,137            | \$ 2,850,707           |
| Cash in county treasury   | -                       | 57,913,678             |
| <b>Total Cash and Cash Equivalents</b>  | <u>\$ 3,656,137</u>     | <u>\$ 60,764,385</u>   |
| <br><b>NONCASH TRANSACTIONS</b>   |                         |                        |
| On behalf payments for benefits   | <u>\$ 1,719,339</u>     | <u>\$ 1,658,220</u>    |

The notes to financial statements are an integral part of this statement.

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Assets – Fiduciary Funds**  
**June 30, 2012 and 2011**

| 2012                                    | Agency                          |                                  |   |                               |
|---|---------------------------------|----------------------------------|---|-------------------------------|
|   | Associated Students<br>Cuyamaca | Associated Students<br>Grossmont | Grossmont Student<br>Trust Organization | Student<br>Representation Fee |
| <b>ASSETS</b>                           |                                 |                                  |   |                               |
| Cash and cash equivalents               | \$ 82,984                       | \$ 446,981                       | \$ 529,071                              | \$ 232,527                    |
| Accounts receivable                     | 3,880                           | 6,340                            | 7,008                                   | -                             |
| Stores inventories                      | -                               | 3,840                            | -                                       | -                             |
| Fixed assets, net                       | -                               | 101                              | -                                       | -                             |
| <b>Total Assets</b>                     | <b>86,864</b>                   | <b>457,262</b>                   | <b>536,079</b>                          | <b>232,527</b>                |
| <b>LIABILITIES</b>                      |                                 |                                  |   |                               |
| Accounts payable                        | 7,362                           | 8,084                            | 295                                     | 5,224                         |
| Due to other funds                      | -                               | -                                | -                                       | -                             |
| Due to student groups                   | 79,502                          | 449,178                          | 535,784                                 | 227,303                       |
| <b>Total Liabilities</b>                | <b>86,864</b>                   | <b>457,262</b>                   | <b>536,079</b>                          | <b>232,527</b>                |
| <b>NET ASSETS</b>                       |                                 |                                  |   |                               |
| Reserved                                | -                               | -                                | -                                       | -                             |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 86,864</b>                | <b>\$ 457,262</b>                | <b>\$ 536,079</b>                       | <b>\$ 232,527</b>             |

The notes to financial statements are an integral part of this statement.

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| Scholarship and Loan Trust |         | Financial Aid Fund | District Trust | Student Center Funds |    | Total 2012 |
|----------------------------|---------|--------------------|----------------|----------------------|----|------------|
| \$                         | 414,328 | \$ 539,941         | \$ 529,071     | \$ 547,756           | \$ | 3,322,659  |
|                            | 1,873   | 868,974            | 7,008          | 542                  |    | 895,625    |
|                            | -       | -                  | -              | -                    |    | 3,840      |
|                            | -       | -                  | -              | -                    |    | 101        |
|                            | 416,201 | 1,408,915          | 536,079        | 548,298              |    | 4,222,225  |
|                            | -       | 97,271             | 5,779          | 413,437              |    | 537,452    |
|                            | -       | 382,641            | -              | -                    |    | 382,641    |
|                            | -       | -                  | -              | -                    |    | 1,291,767  |
|                            | -       | 479,912            | 5,779          | 413,437              |    | 2,211,860  |
|                            | 416,201 | 929,003            | 530,300        | 134,861              |    | 2,010,365  |
| \$                         | 416,201 | \$ 1,408,915       | \$ 536,079     | \$ 548,298           | \$ | 4,222,225  |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Assets – Fiduciary Funds, continued**  
**June 30, 2012 and 2011**

| 2011                                    | Agency                          |                                  |   |                               |
|---|---------------------------------|----------------------------------|---|-------------------------------|
|   | Associated Students<br>Cuyamaca | Associated Students<br>Grossmont | Grossmont Student<br>Trust Organization | Student<br>Representation Fee |
| <b>ASSETS</b>                           |                                 |                                  |   |                               |
| Cash and cash equivalents               | \$ 97,808                       | \$ 429,023                       | \$ 65,374                               | \$ 207,126                    |
| Accounts receivable                     | 680                             | 8,545                            | 935                                     | -                             |
| Stores inventories                      | -                               | 5,653                            | -                                       | -                             |
| Fixed assets, net                       | -                               | 1,587                            | -                                       | -                             |
| <b>Total Assets</b>                     | <b>98,488</b>                   | <b>444,808</b>                   | <b>66,309</b>                           | <b>207,126</b>                |
| <b>LIABILITIES</b>                      |                                 |                                  |   |                               |
| Accounts payable                        | 474                             | 6,789                            | 1,145                                   | -                             |
| Due to student groups                   | 98,014                          | 438,019                          | 65,164                                  | 207,126                       |
| <b>Total Liabilities</b>                | <b>98,488</b>                   | <b>444,808</b>                   | <b>66,309</b>                           | <b>207,126</b>                |
| <b>NET ASSETS</b>                       |                                 |                                  |   |                               |
| Reserved                                | -                               | -                                | -                                       | -                             |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 98,488</b>                | <b>\$ 444,808</b>                | <b>\$ 66,309</b>                        | <b>\$ 207,126</b>             |

The notes to financial statements are an integral part of this statement.



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Assets – Fiduciary Funds, continued**  
**June 30, 2012 and 2011**

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| Scholarship and Loan Trust |         | Financial Aid Fund | District Trust | Student Center Funds |    | Total 2011 |
|----------------------------|---------|--------------------|----------------|----------------------|----|------------|
| \$                         | 312,274 | \$ 614,653         | \$ 512,965     | \$ 654,496           | \$ | 2,893,719  |
|                            | 182,168 | 350,349            | -              | 896                  |    | 543,573    |
|                            | -       | -                  | -              | -                    |    | 5,653      |
|                            | -       | -                  | -              | -                    |    | 1,587      |
|                            | 494,442 | 965,002            | 512,965        | 655,392              |    | 3,444,532  |
|                            | -       | 888,906            | 4,985          | 472,603              |    | 1,374,902  |
|                            | -       | -                  | -              | -                    |    | 808,323    |
|                            | -       | 888,906            | 4,985          | 472,603              |    | 2,183,225  |
|                            | 494,442 | 76,096             | 507,980        | 182,789              |    | 1,261,307  |
| \$                         | 494,442 | \$ 965,002         | \$ 512,965     | \$ 655,392           | \$ | 3,444,532  |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Changes in Net Assets – Fiduciary Funds**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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|                               | 2012                          |                    |                   |                         |                     |
|-------------------------------|-------------------------------|--------------------|-------------------|-------------------------|---------------------|
|                               | Scholarship and<br>Loan Trust | Financial Aid Fund | District Trust    | Student Center<br>Funds | Total               |
| <b>ADDITIONS</b>              |                               |                    |                   |                         |                     |
| Operating revenues            | \$ 343,178                    | \$ 32,391,060      | \$ 219,867        | \$ 73,042               | \$ 33,027,147       |
| <b>Total Additions</b>        | <b>343,178</b>                | <b>32,391,060</b>  | <b>219,867</b>    | <b>73,042</b>           | <b>33,027,147</b>   |
| <b>DEDUCTIONS</b>             |                               |                    |                   |                         |                     |
| Operating expenses            | 421,419                       | 31,538,153         | 197,547           | 120,970                 | 32,278,089          |
| <b>Total Deductions</b>       | <b>421,419</b>                | <b>31,538,153</b>  | <b>197,547</b>    | <b>120,970</b>          | <b>32,278,089</b>   |
| <b>Change in Net Assets</b>   | (78,241)                      | 852,907            | 22,320            | (47,928)                | 749,058             |
| <b>Net Assets - Beginning</b> | 494,442                       | 76,096             | 507,980           | 182,789                 | 1,261,307           |
| <b>Net Assets - Ending</b>    | <b>\$ 416,201</b>             | <b>\$ 929,003</b>  | <b>\$ 530,300</b> | <b>\$ 134,861</b>       | <b>\$ 2,010,365</b> |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Changes in Net Assets – Fiduciary Funds, continued**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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| 2011                          |                    |                |                         |               |  |
|-------------------------------|--------------------|----------------|-------------------------|---------------|--|
| Scholarship and<br>Loan Trust | Financial Aid Fund | District Trust | Student Center<br>Funds | Total         |  |
| \$ 304,034                    | \$ 33,066,807      | \$ 168,649     | \$ 80,194               | \$ 33,619,684 |  |
| 304,034                       | 33,066,807         | 168,649        | 80,194                  | 33,619,684    |  |
| 277,253                       | 33,121,125         | 181,272        | 10,667                  | 33,590,317    |  |
| 277,253                       | 33,121,125         | 181,272        | 10,667                  | 33,590,317    |  |
| 26,781                        | (54,318)           | (12,623)       | 69,527                  | 29,367        |  |
| 467,661                       | 130,414            | 520,603        | 113,262                 | 1,231,940     |  |
| \$ 494,442                    | \$ 76,096          | \$ 507,980     | \$ 182,789              | \$ 1,261,307  |  |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Discretely Presented Component Unit – Grossmont-Cuyamaca Community College District**  
**Auxiliary Organization – Statements of Financial Position**  
**June 30, 2012 and 2011**

|  | 2012                | 2011                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS</b>                                |                     |                     |
| Cash and cash equivalents                            | \$ 85,625           | \$ 75,970           |
| Accounts receivable                                  | 1,968,468           | 2,292,962           |
| Capital assets, net                                  | 3,803               | 4,944               |
| <b>TOTAL ASSETS</b>                                  | <b>2,057,896</b>    | <b>2,373,876</b>    |
| <b>LIABILITIES AND NET ASSETS</b>                    |                     |                     |
| <b>LIABILITIES</b>                                   |                     |                     |
| Accounts payable                                     | 137,263             | 328,335             |
| Accrued payroll and benefits                         | 205,220             | 193,417             |
| Compensated absences                                 | 190,409             | 198,478             |
| Due to Grossmont-Cuyamaca Community College District | 1,385,848           | 1,228,063           |
| <b>TOTAL LIABILITIES</b>                             | <b>1,918,740</b>    | <b>1,948,293</b>    |
| <b>NET ASSETS</b>                                    |                     |                     |
| Unrestricted   |                     |                     |
| Undesignated   | (29,443)            | 13,053              |
| Temporarily restricted                               | 168,599             | 412,530             |
| <b>TOTAL NET ASSETS</b>                              | <b>139,156</b>      | <b>425,583</b>      |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>              | <b>\$ 2,057,896</b> | <b>\$ 2,373,876</b> |

The notes to financial statements are an integral part of this statement.

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Discretely Presented Component Unit – Grossmont-Cuyamaca Community College District**  
**Auxiliary Organization – Statements of Activities**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

|   | 2012         |                           |              |
|---|--------------|---------------------------|--------------|
|   | Unrestricted | Temporarily<br>Restricted | Total        |
| <b>REVENUES AND PUBLIC SUPPORT</b>                |              |                           |              |
| Categorical allowances                            | \$ 6,685,842 | \$ 81,704                 | \$ 6,767,546 |
| Contributions                                     | 800          | 320,055                   | 320,855      |
| Contract education and services                   | 21,240       | 26,419                    | 47,659       |
| Interest income                                   | 594          | -                         | 594          |
| Other local revenue                               | 337,630      | 43,485                    | 381,115      |
| Net assets released from restrictions             | 715,594      | (715,594)                 | -            |
| TOTAL REVENUES AND SUPPORT                        | 7,761,700    | (243,931)                 | 7,517,769    |
| <b>EXPENSES</b>                                   |              |                           |              |
| Program Services                                  | 7,424,011    | -                         | 7,424,011    |
| Supporting Services                               | 380,185      | -                         | 380,185      |
| TOTAL EXPENSES                                    | 7,804,196    | -                         | 7,804,196    |
| <b>CHANGE IN NET ASSETS</b>                       | (42,496)     | (243,931)                 | (286,427)    |
| <b>NET ASSETS, BEGINNING OF YEAR</b>              | 13,053       | 412,530                   | 425,583      |
| <b>ADJUSTMENT FOR RESTATEMENT</b>                 |              |                           |              |
| <b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b> |              |                           |              |
| <b>NET ASSETS, END OF YEAR</b>                    | \$ (29,443)  | \$ 168,599                | \$ 139,156   |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Discretely Presented Component Unit – Grossmont-Cuyamaca Community College District**  
**Auxiliary Organization – Statements of Activities, continued**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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| 2011         |                           |              |
|--------------|---------------------------|--------------|
| Unrestricted | Temporarily<br>Restricted | Total        |
| \$ -         | \$ 5,980,095              | \$ 5,980,095 |
| -            | 546,757                   | 546,757      |
| -            | 73,098                    | 73,098       |
| 961          | -                         | 961          |
| 337,108      | 42,268                    | 379,376      |
| 7,275,472    | (7,275,472)               | -            |
| 7,613,541    | (633,254)                 | 6,980,287    |
| 7,060,182    | -                         | 7,060,182    |
| 456,596      | -                         | 456,596      |
| 7,516,778    | -                         | 7,516,778    |
| 96,763       | (633,254)                 | (536,491)    |
| 155,016      | 1,045,784                 | 1,200,800    |
| (238,726)    | -                         | (238,726)    |
| (83,710)     | 1,045,784                 | 962,074      |
| \$ 13,053    | \$ 412,530                | \$ 425,583   |

The notes to financial statements are an integral part of this statement.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Discretely Presented Component Unit – Grossmont-Cuyamaca Community College District**  
**Auxiliary Organization – Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

|  | <u>2012</u>      | <u>2011</u>      |
|--|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                  |
| Decrease in net assets   | \$ (286,427)     | \$ (536,491)     |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: |                  |                  |
| Depreciation   | 1,141            | 760              |
| Decrease in accounts receivable  | 544,441          | 1,528,265        |
| Increase in due from related entities  | (219,947)        | (1,448,838)      |
| Increase in accounts payable and accrued payroll   | (179,269)        | (161,782)        |
| Increase in due to Grossmont-Cuyamaca Community College District                           | 157,785          | 728,063          |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>  | <u>17,724</u>    | <u>109,977</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                  |                  |
| Decrease in long-term liabilities  | (8,069)          | (40,248)         |
| Purchase of capital assets   | -                | (5,704)          |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>  | (8,069)          | (45,952)         |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | 9,655            | 64,025           |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <u>75,970</u>    | <u>11,945</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <u>\$ 85,625</u> | <u>\$ 75,970</u> |

The notes to financial statements are an integral part of this statement.



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2012**

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**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 the 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 the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB). 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 Foundation for Grossmont and Cuyamaca Colleges, and the Pension Eligible Alternate Retirement Plan (PEAR Plan) have been excluded from the District's entity.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 1 – ORGANIZATION (continued)**

**Financial Reporting Entity (continued)**

The Foundation is a separate, not-for-profit corporation. Its Board of Directors is appointed independent of any District Board of Trustee appointments. Its Board is responsible for approving their own budgets and accounting and financing related activities.

Separate financial statements for the Auxiliary, the Foundation, and PEAR Plan 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 and amounts are available. 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 (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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, now codified in the FASB Accounting Standards Codification, unless those pronouncements conflict with 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.

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:
  - Statements of Net Assets
  - Statements of Revenues, Expenses, and Changes in Net Assets
  - Statements of Cash Flows
- Notes to 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 statements of cash flows.

**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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 grant 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, 2012.

**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. 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 capitalized. 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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 participated 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.

**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.

**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.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements, continued  
June 30, 2012

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

- **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 \$17,495,798 of restricted net assets.

Operating Revenues and Expenses

**Classification on 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) internal service – self-insurance charges, (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, and other revenue sources described in GASB Statement No. 34.

**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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 \$1,720,120 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 amount 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 Statements 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 payment on the students' behalf. To the extent that fee waivers and discount 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, continued**  
**June 30, 2012**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 fiscal years ended June 30, 2012 and 2011, the District distributed \$2,692,629 and \$3,087,575, 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 statements 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**

In June 2010, the Governmental Accounting Standards Board ("GASB") issued Statement No. 59, Financial Instruments Omnibus. The objective of the statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement are effective for the District's financial statements for periods beginning after June 15, 2010. The application of the revised guidance for financial reporting and disclosures of investments is not expected to have a material impact on the District's financial statements.

**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, continued**  
**June 30, 2012**

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**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; 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:

| <u>Authorized<br/>Investment Type</u>   | <u>Maximum<br/>Remaining<br/>Maturity</u> | <u>Maximum<br/>Percentage<br/>of Portfolio</u> | <u>Maximum<br/>Investment<br/>in One Issuer</u> |
|---|---|--|---|
| 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, continued**  
**June 30, 2012**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**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 Cash and Investments**

Cash and investments as of June 30, 2012, consist of the following:

|  |    |                   |
|--|----|-------------------|
| Cash on hand and in banks                      | \$ | 4,169,383         |
| Revolving cash fund                            |    | 26,697            |
| Investment in San Diego County Investment Pool |    | 38,801,886        |
| Investments                                    |    | 213,316           |
| Total Cash and Investments                     | \$ | <u>43,211,282</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 other investment agreements.

**Specific Identification**

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

| Investment or Deposit Type                   | Fair Market Value    | Maturity Date |
|--|----------------------|---------------|
| Investment agreement - Bayerische Landesbank | \$ 213,316           | April 1, 2031 |
| San Diego County Investment Pool             | 38,914,411           | 370 days*     |
| Total  | <u>\$ 39,127,727</u> |               |

\* Weighted average days to maturity

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**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, 2012. 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<br>Value | Minimum<br>Legal<br>Rating | Rating<br>June 30, 2012 |
|--|----------------------|----------------------------|-------------------------|
| Investment agreement - Bayerische Landesbank | \$ 213,316           | Not Applicable             | Aaa                     |
| San Diego County Investment Pool             | 38,914,411           | Not Applicable             | AAA                     |
| Total  | <u>\$ 39,127,727</u> |                            |                         |

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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, 2012, the District's bank balance of \$3,656,137 was not exposed to custodial credit risk because the first \$250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining balance was collateralized with securities held by the pledging financial institution's trust department or agency.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**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 as of June 30, 2012 and 2011 are as follows:

|                     | <u>2012</u>          | <u>2011</u>          |
|---------------------|----------------------|----------------------|
| Federal Government  |                      |                      |
| Categorical aid     | \$ 780,628           | \$ 962,238           |
| State Government    |                      |                      |
| Apportionment       | 16,973,472           | 13,355,243           |
| Categorical aid     | 1,145,073            | 2,660,731            |
| Lottery             | 1,490,621            | 727,488              |
| Other State sources | 18,955               | 266,991              |
| Local Government    |                      |                      |
| Other local sources | 3,902,007            | 3,660,383            |
| Total               | <u>\$ 24,310,756</u> | <u>\$ 21,633,074</u> |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2012 was as follows:

|  | Balance Beginning of<br>Year | Additions     | Deductions    | Balance End of<br>Year |
|--|------------------------------|---------------|---------------|------------------------|
| Capital Assets Not Being Depreciated       |                              |               |               |                        |
| Land                                       | \$ 1,818,942                 | \$ -          | \$ -          | \$ 1,818,942           |
| Construction in progress                   | 41,437,671                   | 1,674,686     | 40,385,902    | 2,726,455              |
| Total Capital Assets Not Being Depreciated | 43,256,613                   | 1,674,686     | 40,385,902    | 4,545,397              |
| Capital Assets Being Depreciated           |                              |               |               |                        |
| Buildings                                  | 231,782,204                  | 42,344,940    | -             | 274,127,144            |
| Site improvements                          | 49,511,879                   | 44,577        | -             | 49,556,456             |
| Furniture and equipment                    | 7,666,698                    | 465,799       | 167,520       | 7,964,977              |
| Total Capital Assets Being Depreciated     | 288,960,781                  | 42,855,316    | 167,520       | 331,648,577            |
| Total Capital Assets                       | 332,217,394                  | 44,530,002    | 40,553,422    | 336,193,974            |
| Less Accumulated Depreciation              |                              |               |               |                        |
| Buildings                                  | 29,905,484                   | 5,115,478     | -             | 35,020,962             |
| Site improvements                          | 11,394,610                   | 1,569,118     | -             | 12,963,728             |
| Furniture and equipment                    | 6,677,336                    | 419,371       | 167,520       | 6,929,187              |
| Total Accumulated Depreciation             | 47,977,430                   | 7,103,967     | 167,520       | 54,913,877             |
| Net Capital Assets                         | \$ 284,239,964               | \$ 37,426,035 | \$ 40,385,902 | \$ 281,280,097         |

Depreciation expense for the year was \$7,103,967.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 5 – CAPITAL ASSETS (continued)**

Capital asset activity for the District for the fiscal year ended June 30, 2011 was as follows:

|   | Balance Beginning of<br>Year | Additions            | Deductions           | Balance End of<br>Year |
|---|------------------------------|----------------------|----------------------|------------------------|
| <b>Capital Assets Not Being Depreciated</b> |                              |                      |                      |                        |
| Land  | \$ 1,818,942                 | \$ -                 | \$ -                 | \$ 1,818,942           |
| Construction in progress                    | 106,958,279                  | 15,873,633           | 81,394,241           | 41,437,671             |
| Total Capital Assets Not Being Depreciated  | <u>108,777,221</u>           | <u>15,873,633</u>    | <u>81,394,241</u>    | <u>43,256,613</u>      |
| <b>Capital Assets Being Depreciated</b>     |                              |                      |                      |                        |
| Buildings                                   | 147,874,220                  | 83,907,984           | -                    | 231,782,204            |
| Site improvements                           | 48,222,463                   | 1,289,416            | -                    | 49,511,879             |
| Furniture and equipment                     | 7,457,288                    | 506,415              | 297,005              | 7,666,698              |
| Total Capital Assets Being Depreciated      | <u>203,553,971</u>           | <u>85,703,815</u>    | <u>297,005</u>       | <u>288,960,781</u>     |
| Total Capital Assets                        | <u>312,331,192</u>           | <u>101,577,448</u>   | <u>81,691,246</u>    | <u>332,217,394</u>     |
| <b>Less Accumulated Depreciation</b>        |                              |                      |                      |                        |
| Buildings                                   | 26,052,535                   | 3,852,949            | -                    | 29,905,484             |
| Site improvements                           | 9,850,455                    | 1,544,155            | -                    | 11,394,610             |
| Furniture and equipment                     | 6,508,913                    | 458,653              | 290,230              | 6,677,336              |
| Total Accumulated Depreciation              | <u>42,411,903</u>            | <u>5,855,757</u>     | <u>290,230</u>       | <u>47,977,430</u>      |
| Net Capital Assets                          | <u>\$ 269,919,289</u>        | <u>\$ 95,721,691</u> | <u>\$ 81,401,016</u> | <u>\$ 284,239,964</u>  |

Depreciation expense for the year was \$5,855,757.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 6 – LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District’s long-term obligations for the 2012 fiscal year consisted of the following:

|   | Balance Beginning<br>of Year | Additions           | Deductions          | Balance End of<br>Year | Due in One Year     |
|---|------------------------------|---------------------|---------------------|------------------------|---------------------|
| <b>Bonds and Notes Payable</b>                  |                              |                     |                     |                        |                     |
| General obligation bonds, Series 2003A          | \$ 10,290,000                | \$ -                | \$ 1,525,000        | \$ 8,765,000           | \$ 1,585,000        |
| General obligation bonds, Series 2005B          | 11,440,478                   | 447,234             | 1,075,000           | 10,812,712             | 1,450,000           |
| General obligation bonds, Series 2008C          | 60,035,371                   | 3,338,419           | -                   | 63,373,790             | -                   |
| General obligation bonds, Series 2008 Refunding | 124,714,105                  | 1,289,050           | 2,665,000           | 123,338,155            | 2,965,000           |
| Unamortized premium                             | 20,218,464                   | -                   | 1,349,507           | 18,868,957             | 1,349,507           |
| Lease revenue bond, Series 2001A                | 1,665,000                    | -                   | 125,000             | 1,540,000              | 130,000             |
| Total Bonds and Notes Payable                   | <u>228,363,418</u>           | <u>5,074,703</u>    | <u>6,739,507</u>    | <u>226,698,614</u>     | <u>7,479,507</u>    |
| <b>Other Liabilities</b>                        |                              |                     |                     |                        |                     |
| Compensated absences                            | 3,079,301                    | -                   | 216,290             | 2,863,011              | -                   |
| Other postemployment benefits                   | 1,932,878                    | 676,034             | -                   | 2,608,912              | -                   |
| Supplemental employee retirement plan           | 1,006,140                    | 3,360,023           | 857,353             | 3,508,810              | 820,790             |
| Total Other Liabilities                         | <u>6,018,319</u>             | <u>4,036,057</u>    | <u>1,073,643</u>    | <u>8,980,733</u>       | <u>820,790</u>      |
| Total Long-Term Obligations                     | <u>\$ 234,381,737</u>        | <u>\$ 9,110,760</u> | <u>\$ 7,813,150</u> | <u>\$ 235,679,347</u>  | <u>\$ 8,300,297</u> |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Summary (continued)**

The changes in the District’s long-term obligations for the 2011 year consisted of the following:

|   | Balance Beginning<br>of Year | Additions           | Deductions          | Balance End of<br>Year | Due in One Year     |
|---|------------------------------|---------------------|---------------------|------------------------|---------------------|
| <b>Bonds and Notes Payable</b>                  |                              |                     |                     |                        |                     |
| General obligation bonds, Series 2003A          | \$ 11,755,000                | \$ -                | \$ 1,465,000        | \$ 10,290,000          | \$ 1,525,000        |
| General obligation bonds, Series 2005B          | 12,172,906                   | 467,572             | 1,200,000           | 11,440,478             | 1,075,000           |
| General obligation bonds, Series 2008C          | 56,875,148                   | 3,160,223           | -                   | 60,035,371             | -                   |
| General obligation bonds, Series 2008 Refunding | 125,491,840                  | 1,147,265           | 1,925,000           | 124,714,105            | 2,665,000           |
| Unamortized premium                             | 21,567,971                   | -                   | 1,349,507           | 20,218,464             | 1,349,507           |
| Lease revenue bond, Series 2001A                | 1,780,000                    | -                   | 115,000             | 1,665,000              | 125,000             |
| <b>Total Bonds and Notes Payable</b>            | <b>229,642,865</b>           | <b>4,775,060</b>    | <b>6,054,507</b>    | <b>228,363,418</b>     | <b>6,739,507</b>    |
| <b>Other Liabilities</b>                        |                              |                     |                     |                        |                     |
| Compensated absences                            | 3,135,022                    | -                   | 55,721              | 3,079,301              | -                   |
| Other postemployment benefits                   | 1,246,512                    | 686,366             | -                   | 1,932,878              | -                   |
| Supplemental employee retirement plan           | 1,863,493                    | -                   | 857,353             | 1,006,140              | 857,353             |
| <b>Total Other Liabilities</b>                  | <b>6,245,027</b>             | <b>686,366</b>      | <b>913,074</b>      | <b>6,018,319</b>       | <b>857,353</b>      |
| <b>Total Long-Term Obligations</b>              | <b>\$ 235,887,892</b>        | <b>\$ 5,461,426</b> | <b>\$ 6,967,581</b> | <b>\$ 234,381,737</b>  | <b>\$ 7,596,860</b> |

**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, 2012, \$1,540,000 was outstanding. The lease revenue bonds mature through 2021 with interest rates ranging from 4.0 percent to 5.8 percent.

Compensated absences refer to accumulated unpaid employee vacation benefits that are accrued as a liability as the benefits are earned. At June 30, 2012, the balance outstanding was \$2,863,011.

Original issuance premiums and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**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, 2012, \$55,000,000 had been issued and \$8,765,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent.

**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, 2009 through August 1, 2017, with interest yields ranging from 3.10 percent to 4.31 percent. At June 30, 2012, the principal balance outstanding (including accreted interest to date) was \$10,812,712.

**2008 General Obligation Bonds, Refunding Bonds and Series 2008C**

During May 2008, the District issued, from the November 2002 election, the General Obligation Bonds, Series C, in the amount of \$52,000,377. The bonds issued included \$52,000,377 in Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal and interest balance of \$154,840,000. The bonds mature beginning on August 1, 2025 through August 1, 2031, with interest yields ranging from 5.06 percent to 6.50 percent. At June 30, 2012, the principal balance outstanding (including accreted interest to date) was \$63,373,790.

During May 2008, the District issued 2008 General Obligation Refunding Bonds, in the amount of \$128,765,749. The bonds issued included \$121,115,000 in Current Interest Bonds and \$7,650,749 in Capital Appreciation Bonds. The Capital Appreciation bonds have a maturing principal and interest balance of \$17,595,000. The bonds mature on August 1, 2008 through August 1, 2024, with interest yields ranging from 1.80 percent to 4.25 percent. At June 30, 2012, the principal balance outstanding (including accreted interest to date) was \$123,338,155.

Proceeds from the 2008 General Obligation Refunding Bonds of \$128,768,827 were used to advance refund a portion of the outstanding Series 2003A and Series 2005B bonds. Investments backed by the U.S. government were purchased and placed in an irrevocable trust with an escrow agent. The investments and fixed earnings on the investments are sufficient to fully provide for all future debt service on the refunded bonds, and accordingly the refunding transaction met the criteria for an in-substance defeasance. The liabilities related to the refunded bonds were removed from the District's financial statements for the fiscal year ended June 30, 2008.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Bonded Debt (continued)**

The outstanding general obligation bonded debt as of June 30, 2012 is as follows:

| Series         | Maturity Date | Interest Yield | Original Issue | Bonds Outstanding<br>July 1, 2011 | Accreted<br>Interest<br>Addition | Redeemed     | Bonds<br>Outstanding<br>June 30, 2012 |
|----------------|---------------|----------------|----------------|-----------------------------------|----------------------------------|--------------|---------------------------------------|
| 2003A          | 08/01/27      | 2.50%-5.00%    | \$ 55,000,000  | \$ 10,290,000                     | \$ -                             | \$ 1,525,000 | \$ 8,765,000                          |
| 2005B          | 08/01/17      | 3.10%-4.31%    | 99,999,623     | 11,440,478                        | 447,234                          | 1,075,000    | 10,812,712                            |
| 2008C          | 08/01/31      | 5.06%-6.50%    | 52,000,377     | 60,035,371                        | 3,338,419                        | -            | 63,373,790                            |
| 2008 Refunding | 08/01/24      | 1.80%-4.25%    | 128,765,749    | 124,714,105                       | 1,289,050                        | 2,665,000    | 123,338,155                           |
|                |               |                | Total          | \$ 206,479,954                    | \$ 5,074,703                     | \$ 5,265,000 | \$ 206,289,657                        |

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

| Year Ending June 30, | Principal    | Current Interest to<br>Maturity | Total         |
|----------------------|--------------|---------------------------------|---------------|
| 2013                 | \$ 1,585,000 | \$ 394,663                      | \$ 1,979,663  |
| 2014                 | 1,655,000    | 317,625                         | 1,972,625     |
| 2015                 | 280,000      | 269,250                         | 549,250       |
| 2016                 | 295,000      | 254,875                         | 549,875       |
| 2017                 | 310,000      | 239,750                         | 549,750       |
| 2018-2022            | 1,800,000    | 944,000                         | 2,744,000     |
| 2023-2027            | 2,305,000    | 433,875                         | 2,738,875     |
| 2028                 | 535,000      | 13,375                          | 548,375       |
| Total                | \$ 8,765,000 | \$ 2,867,413                    | \$ 11,632,413 |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Bonded Debt (continued)**

The general obligation bonds, Series 2005B, mature through 2018 as follows:

| Year Ending June 30, | Principal<br>(including accreted<br>interest to date) | Accreted Interest   | Total                |
|----------------------|---|---------------------|----------------------|
| 2013                 | \$ 1,423,610  | \$ 26,390           | \$ 1,450,000         |
| 2014                 | 1,274,400   | 75,600              | 1,350,000            |
| 2015                 | 1,585,150   | 164,850             | 1,750,000            |
| 2016                 | 1,906,520   | 293,480             | 2,200,000            |
| 2017                 | 2,170,932   | 449,068             | 2,620,000            |
| 2018                 | 2,452,100   | 647,900             | 3,100,000            |
| <b>Total</b>         | <b>\$ 10,812,712</b>                                  | <b>\$ 1,657,288</b> | <b>\$ 12,470,000</b> |

The general obligation bonds, Series 2008C and 2008 Refunding, mature through 2032 and 2025, respectively, as follows:

| Year Ending June 30, | Principal<br>(including accreted<br>interest to date) | Accreted Interest    | Current Interest to<br>Maturity | Total                 |
|----------------------|---|----------------------|---------------------------------|-----------------------|
| 2013                 | \$ 2,965,000  | \$ -                 | \$ 5,484,650                    | \$ 8,449,650          |
| 2014                 | 3,810,000   | -                    | 5,334,325                       | 9,144,325             |
| 2015                 | 4,214,490   | 1,425,510            | 5,258,125                       | 10,898,125            |
| 2016                 | 3,887,217   | 1,957,783            | 5,258,125                       | 11,103,125            |
| 2017                 | 3,616,448   | 2,493,552            | 5,258,125                       | 11,368,125            |
| 2018-2022            | 56,855,000  | -                    | 20,096,813                      | 76,951,813            |
| 2023-2027            | 63,925,574  | 23,094,426           | 3,437,250                       | 90,457,250            |
| 2028-2032            | 47,438,216  | 68,371,784           | -                               | 115,810,000           |
| <b>Total</b>         | <b>\$ 186,711,945</b>                                 | <b>\$ 97,343,055</b> | <b>\$ 50,127,413</b>            | <b>\$ 334,182,413</b> |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Lease Revenue Bonds**

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

| Year Ending June 30, | Principal |           | Interest |         | Total        |
|----------------------|-----------|-----------|----------|---------|--------------|
| 2013                 | \$        | 130,000   | \$       | 75,325  | \$ 205,325   |
| 2014                 |           | 140,000   |          | 69,540  | 209,540      |
| 2015                 |           | 150,000   |          | 63,100  | 213,100      |
| 2016                 |           | 160,000   |          | 55,600  | 215,600      |
| 2017                 |           | 170,000   |          | 48,000  | 218,000      |
| 2018-2021            |           | 790,000   |          | 102,250 | 892,250      |
| Total                | \$        | 1,540,000 | \$       | 413,815 | \$ 1,953,815 |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Supplemental Early Retirement Plan**

The District provided a board approved Early Retirement Incentive in 2009 a faculty SERP retirement settlement in 2011 and an Early Retirement Incentive in 2012. The future cost to the District as of June 30, 2012, was \$3,508,810. Payments are to be made from the District’s General Fund according to the following schedule:

| <u>Year Ending June 30,</u> | <u>Payments</u>     |
|-----------------------------|---------------------|
| 2013                        | \$ 820,790          |
| 2014                        | 672,005             |
| 2015                        | 672,005             |
| 2016                        | 672,005             |
| 2017                        | 672,005             |
| Total                       | <u>\$ 3,508,810</u> |

**NOTE 7 – OTHER 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 in service. When the retiree attains age 65, all postemployment benefits cease. The District contributes 100 percent of the amount of the benefit premium costs incurred by retirees and their dependents.

**Plan Description and Contribution Information**

Membership of the plan consisted of the following at November 1, 2011, the date of the latest actuarial valuation:

|   |            |
|---|------------|
| Retirees and beneficiaries receiving benefits | 91         |
| Active plan members                           | 659        |
| Total   | <u>750</u> |
| Number of participating employers             | 1          |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Funded Status and Funding Progress – OPEB Plans**

The funded status of the plan as of the most recent actuarial valuation date is as follows:

| Actuarial<br>Valuation<br>Date | Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio |
|--------------------------------|--------------------|--|---------------------------|-----------------|
| 11/1/2011                      | \$ -               | \$ 14,925,671                              | \$ 14,925,671             | 0%              |

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Funded Status and Funding Progress – OPEB Plans (continued)**

Additional information as of the latest actuarial valuation follows:

|                              |                             |
|------------------------------|-----------------------------|
| Valuation Date               | 11/1/2011                   |
| Actuarial Cost Method        | Entry Age Normal Cost       |
| Amortization Method          | Level Percentage of Payroll |
| Amortization Period          | 30 Years                    |
| Asset Valuation              | Market Value Basis          |
| Actuarial Assumptions:       |                             |
| Inflation rate               | 3.0%                        |
| Discount rate                | 5.0%                        |
| Healthcare cost trend rates: |                             |
| Long-term                    | 4.0%                        |

**Annual OPEB Cost and Net OPEB Asset**

The following table shows the elements of the District’s annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the District’s net OPEB asset to the plan for the fiscal year ended June 30, 2012:

|                                     |                     |
|-------------------------------------|---------------------|
| Annual required contribution (ARC)  | \$ 1,904,087        |
| Interest on net OPEB obligation     | 96,644              |
| Adjustment to ARC                   | (125,740)           |
| Annual OPEB cost                    | <u>1,874,991</u>    |
| Contributions made:                 |                     |
| Pay-as-you-go cost                  | <u>1,198,957</u>    |
| Total contributions made            | <u>1,198,957</u>    |
| Increase in net OPEB obligation     | 676,034             |
| Net OPEB obligation - July 1, 2011  | <u>1,932,878</u>    |
| Net OPEB obligation - June 30, 2012 | <u>\$ 2,608,912</u> |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 8 – RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risk 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, 2012, the District contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authority (JPA) and 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 significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2011-2012, the District participated in the ASCIP JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of 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. The 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.

**Self Insurance**

The District's health benefits internal service fund provides self-insurance coverage for health benefits claims submitted by eligible District employees and retirees. Claims are processed by a third-party administrator, Benefit & Risk Management Services, Inc. (BRMS).

**Participation in Public Entity Risk Pools and JPAs**

The District pays annual premiums for its property liability 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.

The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the fiscal year ended June 30, 2012, the District made payments of \$1,500,968 and \$41,921 to ASCIP and SELF, respectively.



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 9 – 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of 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 California State Teachers' Retirement Plan (CalSTRS), 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 CalSTRS. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS Executive Office, 7667 Folsom Boulevard; Sacramento, California 95851.

The CalSTRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the CalSTRS the employee is in, post-retirement cost-of-living adjustment 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 for 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 percentage 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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Funding Policy**

Active members of the DB Plan are required to contribute 8 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 CalSTRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2011-2012 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 CalSTRS 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 4 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 CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$3,325,754, \$3,206,073, and \$3,324,218, respectively, and equal 100 percent of the required contributions for each year.

**California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

All full-time classified employees participate in the CalPERS, and 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 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, member’s accumulated contributions are refundable with interest credited through the date of separation.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Plan Description, Continued**

The California 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 7 percent of their salary (7 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute and 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 2011-2012 was 10.923 percent of annual payroll.

**Annual Pension Cost**

The District’s contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were \$2,351,574, \$2,348,323, and \$2,146,347, respectively, and equaled 100 percent of the required contributions for each year.

**On-Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS of behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$1,720,120 (4.267 percent of 2011-2012 salaries subject to CalSTRS). A contribution from the state to CalPERS was not required for the fiscal year ended June 30, 2012. 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, continued**  
**June 30, 2012**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**Pension Eligible Alternative Retirement Plan**

**Plan Description**

The Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan (PEAR Plan) is a defined contribution money purchase plan covering all part-time employees of Grossmont-Cuyamaca Community College District who are not eligible for membership in CalPERS or CalSTRS. Upon employment and re-employment, employees must become a member of the PEAR Plan. The PEAR Plan is an alternative plan to social security, and PEAR Plan members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991. As a government plan, the PEAR Plan is excluded from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. However, the PEAR Plan is subject to the reporting requirements of the California State Controller's Office. Copies of the PEAR Plan annual financial report may be obtained from the District.

**Funding Policy**

Contributions to the PEAR Plan are shared between the employees and the District. The District contributes 3.75% of eligible wages as defined under IRS regulations, and 3.75% of eligible wages are withheld from employees' checks for deposit under the PEAR Plan.

**Annual Pension Cost**

The District's contributions to the PEAR Plan for the fiscal years ending June 30, 2012, 2011, and 2010 were \$223,851, \$237,514, and \$217,806 respectively, and equaled 100 percent of the required contributions for each year.

**NOTE 10 – 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 as of June 30, 2012.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)**

**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, 2012.

**Operating Leases**

The District has entered into various operating leases for building 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. The future minimum lease payments as of June 30, 2012 were \$524,385.

**Construction Commitments**

As of June 30, 2012, the District had the following commitment with respect to unfinished capital projects:

| <b>CAPITAL PROJECT</b>                           | <b>Remaining<br/>Construction<br/>Commitment</b> | <b>Expected<br/>Date of<br/>Completion</b> |
|--|--|--|
| <b>Grossmont College</b>                         |  |  |
| Griffin Center/Student & Administration Services | \$ 93,726  | December 2012                              |

This capital project is funded through general obligation bonds.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2012**

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**NOTE 11 – RELATED PARTY TRANSACTIONS**

The District provides categorical allowances to the Grossmont-Cuyamaca Community College Auxiliary Organization (the Auxiliary) and also receives support from the Auxiliary. During the fiscal year ended June 30, 2012, categorical allowances paid to the Auxiliary totaled \$5,005,603. Support received by the District from the Auxiliary in the form of payments and purchased assets totaled \$5,005,603 for the year ended June 30, 2012.

As of June 30, 2012, the District had an accounts payable balance to the Auxiliary of \$219,947 relating to categorical allowances that was subsequently paid in full.

The District receives awards of financial support for various programs and general support from the Foundation for Grossmont and Cuyamaca Colleges in accordance with donor instructions. During the fiscal year ended June 30, 2012, the Foundation for Grossmont and Cuyamaca Colleges provided \$103,311 in scholarships to the students of Grossmont and Cuyamaca Colleges.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2012**

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| Actuarial<br>Valuation<br>Date | Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage of<br>Covered<br>Payroll |
|--------------------------------|--------------------|--|---------------------------|-----------------|--------------------|--|
| 11/1/2011                      | \$ -               | \$ 14,925,671                              | \$ 14,925,671             | 0%              | \$ 48,509,777      | 31%  |

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**SUPPLEMENTARY INFORMATION SECTION**

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Local Educational Agency Organization Structure**  
**June 30, 2012**

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The Grossmont-Cuyamaca Community College District (the District) is located in the eastern area in San Diego County, California. The District was organized in 1961 with Grossmont College located in El Cajon. In 1978, Cuyamaca College was completed to serve student in the Rancho San Diego area of the District under the laws of the State of California. Both colleges are fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. The District operates under a locally-elected five-member Board form of government. There have been no changes in the District’s boundaries during the year.

**GOVERNING BOARD**

| <b>MEMBER</b>         | <b>OFFICE</b>  | <b>TERM EXPIRES</b> |
|-----------------------|----------------|---------------------|
| Mr. Bill Garrett      | President      | December 2016       |
| Ms. Mary Kay Rosinski | Vice President | December 2016       |
| Mr. Edwin Ramon Hiel  | Clerk          | December 2014       |
| Mr. Greg Barr         | Trustee        | December 2014       |
| Ms. Debbie Justeson   | Trustee        | December 2014       |

**DISTRICT ADMINISTRATORS**

Cindy L. Miles, Ph.D.  
*Chancellor*

Sunita V. Cooke, Ph.D.  
*President, Grossmont College*

Mark Zacovic, Ph.D.  
*President, Cuyamaca College*

Sue Rearic  
*Vice Chancellor - Business Services*

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2012**

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| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title | CFDA<br>Number | Total<br>Expenditures |
|--|----------------|-----------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                              |                |                       |
| <b>STUDENT FINANCIAL AID CLUSTER</b>                             |                |                       |
| Federal Supplemental Educational Opportunity Grant - FSEOG       | 84.007         | \$ 431,338            |
| Federal Family Education Loans                                   | 84.032         | 2,692,629             |
| Federal College Work Study - FWS                                 | 84.033         | 329,909               |
| Federal Pell Grant - PELL  | 84.063         | 27,198,031            |
| Student Financial Aid Administrative Costs                       | 84.063         | 44,917                |
| <br>   |                |                       |
| <b>VOCATIONAL AND TECHNICAL EDUCATION ACT</b>                    |                |                       |
| <b>Passed through State Chancellor's Office</b>                  |                |                       |
| VTEA IC  | 84.048         | 1,247,143             |
| VTEA IB - Regional Consortium                                    | 84.048         | 150,105               |
| VTEA IB - JSPAC  | 84.048         | 188,000               |
| VTEA - State Adv. PS Education                                   | 84.048         | 38,000                |
| VTEA IB - Public Safety  | 84.048         | 243,017               |
| VTEA III - Tech Prep   | 84.243         | 93,940                |
| <br>   |                |                       |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                            |                |                       |
| <b>Passed through California Department of Education</b>         |                |                       |
| Child and Adult Care Food Program                                | 10.558         | 31,932                |
| <br>   |                |                       |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>              |                |                       |
| <b>Passed through State Chancellor's Office</b>                  |                |                       |
| Temporary Assistance to Needy Families                           | 93.558         | 86,058                |
| <b>Passed through San Diego State University</b>                 |                |                       |
| <b>Research Foundation</b>                                       |                |                       |
| San Diego Bridges to the Baccalaureate                           | 93.859         | 7,499                 |
| <br>   |                |                       |
| <b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>                       |                |                       |
| Veteran's Education Reporting Fee                                | 64.UNKNOWN     | 7,676                 |
|  |                | <hr/>                 |
| Total Expenditures of Federal Awards                             |                | \$ 32,790,194         |

See accompanying note to supplementary information.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of State Awards**  
**For the Fiscal Year Ended June 30, 2012**

|  | Program Entitlements |              |                    |
|--|----------------------|--------------|--------------------|
|  | Current Year         | Prior Year   | Total Entitlements |
| GENERAL FUND   |                      |              |                    |
| Grants:  |                      |              |                    |
| Basic Skills   | \$ 229,231           | \$ 430,496   | \$ 659,727         |
| BiNatl Border Health                                 | 362,990              | -            | 362,990            |
| BiNatl Border Health                                 | 598,447              | 229,928      | 828,375            |
| BiNatl Border Health                                 | 380,000              | -            | 380,000            |
| Board of Governors Grant - BFAP                      | 785,576              | 18,099       | 803,675            |
| California Clean Energy                              | -                    | 36,621       | 36,621             |
| CalPass Project                                      | 1,139,000            | 2,547        | 1,141,547          |
| CalWORKS   | 586,514              | 4,378        | 590,892            |
| Cal WORKS regional                                   | 10,000               | 204          | 10,204             |
| CDC Renovatin & Repair                               | -                    | 8,984        | 8,984              |
| Community Coll Sup II                                | -                    | 10,522       | 10,522             |
| Community Coll Proj III                              | -                    | 32,709       | 32,709             |
| Community Coll Proj IV                               | -                    | 339,018      | 339,018            |
| Community Coll Sup III                               | -                    | 123,730      | 123,730            |
| Community Coll Proj V                                | 411,350              | -            | 411,350            |
| Cooperative Agencies Resources for Education         | 213,011              | -            | 213,011            |
| Disabled Students Programs & Services                | 1,087,905            | 5,044        | 1,092,949          |
| Economic Deveopment - RHORC                          | 205,000              | 28,303       | 233,303            |
| Economic Development ETC/REBRAC                      | 205,000              | 17,956       | 222,956            |
| Enrollment Growth                                    | -                    | 118,488      | 118,488            |
| Extended Opportunity Program                         | 1,045,369            | -            | 1,045,369          |
| Foster Care Education                                | 892,448              | -            | 892,448            |
| General Child Care                                   | 485,870              | 13,459       | 499,329            |
| IDRC Solar   | 200,186              | 202,330      | 402,516            |
| Infant Toddler Demo Site                             | 28,515               | -            | 28,515             |
| Middle College HS                                    | 99,454               | 24,197       | 123,651            |
| Matriculation  | 817,915              | 2,776        | 820,691            |
| Staff Diversity                                      | 8,613                | 42,552       | 51,165             |
| Staff Development                                    | -                    | 49,599       | 49,599             |
| State Block Grants                                   | -                    | 190,049      | 190,049            |
| TANF-CDC   | -                    | 2,992        | 2,992              |
| Teacher Prep   | 120,000              | 198,936      | 318,936            |
| Temp Assistance to Needy Families - TANF (State 50%) | 88,084               | 164          | 88,248             |
| TTIP   | -                    | 14,158       | 14,158             |
| YESS ILP   | 22,500               | -            | 22,500             |
| Water/Wastewater                                     | 283,301              | -            | 283,301            |
| WIP Workplace Learning                               | 218,750              | 221,730      | 440,480            |
| WIP ETC  | 218,750              | 221,848      | 440,598            |
| Workplace Learning Ctr                               | 205,000              | 35,808       | 240,808            |
| Prop 20 Lottery Funds                                | 470,074              | -            | 470,074            |
| Total  | \$ 11,418,853        | \$ 2,627,625 | \$ 14,046,478      |

See accompanying note to supplementary information.



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of State Awards, continued**  
**For the Fiscal Year Ended June 30, 2012**

|                      |                     | Program Revenue     |                      |                      |  |
|----------------------|---------------------|---------------------|----------------------|----------------------|--|
| Cash                 | Accounts            | Deferred            | Total                | Program              |  |
| Received             | Receivable          | Revenue             | Revenue              | Expenditures         |  |
| \$ 659,727           | \$ -                | \$ 354,274          | \$ 305,453           | \$ 1,267,828         |  |
| 118,525              | 179,149             | -                   | 297,674              | 1,441,558            |  |
| 334,058              | 186,702             | -                   | 520,760              | 1,134,815            |  |
| 232,900              | 72,870              | -                   | 305,770              | 928,498              |  |
| 803,675              | -                   | 44,657              | 759,018              | 837,477              |  |
| 36,621               | -                   | -                   | 36,621               | 701,096              |  |
| 1,027,647            | 111,352             | -                   | 1,138,999            | 524,914              |  |
| 590,892              | -                   | 5,820               | 585,072              | 495,393              |  |
| 10,204               | -                   | 2,867               | 7,337                | 237,309              |  |
| 4,496                | -                   | -                   | 4,496                | 415,797              |  |
| 10,522               | -                   | -                   | 10,522               | 130,627              |  |
| 32,709               | -                   | -                   | 32,709               | 117,886              |  |
| 339,018              | -                   | 129,075             | 209,943              | 408,808              |  |
| 123,730              | -                   | 20,455              | 103,275              | 24,768               |  |
| 329,080              | -                   | 329,080             | -                    | 3,270                |  |
| 213,011              | -                   | 24,641              | 188,370              | 3,152                |  |
| 1,094,113            | -                   | 13,465              | 1,080,648            | 103,507              |  |
| 151,303              | 82,000              | -                   | 233,303              | 255,162              |  |
| 140,956              | 22,383              | -                   | 163,339              | 187,044              |  |
| 99,277               | 19,211              | -                   | 118,488              | 102,711              |  |
| 1,045,369            | -                   | 31,254              | 1,014,115            | 188,136              |  |
| 558,814              | 334,573             | -                   | 893,387              | 104,518              |  |
| 487,855              | 36,254              | 36,254              | 487,855              | 77,716               |  |
| 231,603              | 21,572              | -                   | 253,175              | 51,293               |  |
| 13,285               | 5,066               | -                   | 18,351               | 31,728               |  |
| 64,198               | 35,947              | -                   | 100,145              | 23,992               |  |
| 820,691              | -                   | 19,036              | 801,655              | 12,067               |  |
| 51,165               | -                   | 47,931              | 3,234                | 13,958               |  |
| 49,599               | -                   | 47,949              | 1,650                | 5,399                |  |
| 190,049              | -                   | 186,450             | 3,599                | 998                  |  |
| 2,992                | -                   | -                   | 2,992                | 764                  |  |
| 294,935              | -                   | 52,139              | 242,796              | 918,071              |  |
| 88,248               | -                   | -                   | 88,248               | 16,886               |  |
| 14,158               | -                   | 14,158              | -                    | 58,615               |  |
| 12,233               | 10,267              | -                   | 22,500               | 74                   |  |
| 169,980              | -                   | 39,787              | 130,193              | 68,748               |  |
| 306,730              | -                   | 219,322             | 87,408               | 277,202              |  |
| 306,848              | -                   | 218,388             | 88,460               | 15,334               |  |
| 158,808              | 27,727              | -                   | 186,535              | 16,886               |  |
| 560,104              | -                   | -                   | 560,104              | 41,747               |  |
| <b>\$ 11,780,128</b> | <b>\$ 1,145,073</b> | <b>\$ 1,837,002</b> | <b>\$ 11,088,199</b> | <b>\$ 11,245,752</b> |  |

See accompanying note to supplementary information.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance**  
**For the Fiscal Year Ended June 30, 2012**

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| CATEGORIES  | Reported<br>Data  | Audit<br>Adjustments | Audited<br>Data   |
|---|-------------------|----------------------|-------------------|
|   | <u>          </u> | <u>          </u>    | <u>          </u> |
| <b>Credit Full-Time Equivalent Student (FTES)</b> |                   |                      |                   |
| 1. Summer   | 492               | -                    | 492               |
| 2. Weekly census                                  | 15,876            | -                    | 15,876            |
| 3. Daily census                                   | 988               | -                    | 988               |
| 4. Actual hours of attendance                     | 398               | -                    | 398               |
| Subtotal  | <u>17,754</u>     | <u>-</u>             | <u>17,754</u>     |
| <b>Noncredit FTES</b>                             |                   |                      |                   |
| 1. Summer   | 1                 | -                    | 1                 |
| 2. Actual hours of attendance                     | 64                | -                    | 64                |
| Subtotal  | <u>65</u>         | <u>-</u>             | <u>65</u>         |
| Total FTES  | <u>17,819</u>     | <u>-</u>             | <u>17,819</u>     |
| <b>Basic Skills Courses</b>                       |                   |                      |                   |
| 1. Credit   |                   |                      | 1,804             |
| 2. Noncredit                                      |                   |                      | <u>34</u>         |
| Total Basic Skills FTES                           |                   |                      | <u>1,838</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 Fiscal Year Ended June 30, 2012**

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*There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2012.*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets**  
**For the Fiscal Year Ended June 30, 2012**

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

**Total Fund Balances and Due to Student Groups:**

|                            |    |                |                |
|----------------------------|----|----------------|----------------|
| General Fund               | \$ | 15,718,844     |                |
| Special Revenue Funds      |    | 942,912        |                |
| Capital Projects Funds     |    | 17,564,848     |                |
| Debt Service Funds         |    | 116,475,396    |                |
| Internal Service Fund      |    | 2,606,146      |                |
| Student Financial Aid Fund |    | 929,003        | \$ 154,237,149 |
|                            |    | <u>929,003</u> |                |

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 | \$ | 336,193,974         |             |
| Accumulated depreciation is   |    | (54,913,877)        | 281,280,097 |
|                               |    | <u>(54,913,877)</u> |             |

Amounts held in trust on behalf of others (Trust and Agency Funds): (3,302,132)

Expenditures relating to the issuance of debt were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis. 3,006,215

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. (2,468,545)

To reduce cash with fiscal agent for escrow amount due on payoff of defeased bonds. (106,497,231)

Long-term obligations at year-end consist of:

|                                       |    |                  |                      |
|---------------------------------------|----|------------------|----------------------|
| General obligation bonds payable      | \$ | 225,158,614      |                      |
| Lease revenue bond payable            |    | 1,540,000        |                      |
| Supplemental employee retirement plan |    | 3,508,810        |                      |
| Other postemployment benefits         |    | 2,608,912        |                      |
| Compensated absences                  |    | 2,863,011        | (235,679,347)        |
| <b>Total Net Assets</b>               |    | <u>2,863,011</u> | <u>\$ 90,576,206</u> |

The accompanying notes are an integral part of this schedule.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Note to the Supplementary Information**  
**June 30, 2012**

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**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.

Of the Federal expenditures presented in the schedule, Grossmont-Cuyamaca Community College District provided Federal Awards to subrecipients as follows:

| Program Title   | CFDA Number | Amount Provided to<br>Subrecipients |
|---|-------------|-------------------------------------|
| Carl Perkins Vocational and Technical Education Act (VTEA)      | 84.048      | \$ 811,894                          |
| Strengthening Public Health Services - Border Health Commission | 93.018      | 297,103                             |
| California Office of Binational Border Health (COBBH)           | 93.069      | 424,899                             |
| Early Warning Infectious Disease Surveillance (EWIDS)           | 93.069      | 305,770                             |
| Binational - Public Health Emergency Response (PHER)            | 93.069      | 95,863                              |
| Total Amount Provided to Subrecipients                          |             | <u>\$ 1,935,529</u>                 |

**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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**OTHER 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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

We have audited the financial statements of Grossmont-Cuyamaca Community College District as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated December 4, 2012. We conducted our audit 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.

**SAN DIEGO**

2727 Camino Del Rio South  
Suite 219  
San Diego, CA 92108

**RANCHO CUCAMONGA**

8686 Haven Avenue  
Suite 250  
Rancho Cucamonga, CA 91730

**ALAMEDA**

1050 Marina Village Parkway  
Suite 201  
Alameda, CA 94501

tel: 619.270.8222

fax: 619.260.9085

www.cwacpa.com

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State Board of Accountancy*

**Internal Control Over Financial Reporting**

Management of Grossmont-Cuyamaca Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grossmont-Cuyamaca Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grossmont-Cuyamaca Community College District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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, others within the entity, 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.

*Christy White Associates*

San Diego, California  
December 4, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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

**Compliance**

We have audited Grossmont-Cuyamaca Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Grossmont-Cuyamaca Community College District's major federal programs for the year ended June 30, 2012. 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. 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 compliance referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

SAN DIEGO  
2727 Camino Del Rio South  
Suite 219  
San Diego, CA 92108

RANCHO CUCAMONGA  
8686 Haven Avenue  
Suite 250  
Rancho Cucamonga, CA 91730

ALAMEDA  
1050 Marina Village Parkway  
Suite 201  
Alameda, CA 94501

tel: 619.270.8222  
fax: 619.260.9085  
www.cwacpa.com

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## Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Grossmont-Cuyamaca Community College District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Grossmont-Cuyamaca Community College District's response to the finding identified in our audit is described in the accompanying Schedule of Audit 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, others within the entity, 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.



San Diego, California  
December 4, 2012

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

### SAN DIEGO

2727 Camino Del Rio South  
Suite 219  
San Diego, CA 92108

### RANCHO CUCAMONGA

8686 Haven Avenue  
Suite 250  
Rancho Cucamonga, CA 91730

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1050 Marina Village Parkway  
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tel: 619.270.8222

fax: 619.260.9085

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

We have audited Grossmont-Cuyamaca Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2011-12*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2011-12*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 on Grossmont-Cuyamaca Community College District's compliance with the state laws and regulations referred to above.

In connection with the audit referred to above, we selected and tested transactions and records to determine Grossmont-Cuyamaca Community College District's compliance with the state laws and regulations applicable to the following items:

- Section 421: Salaries of Classroom Instructors (50 Percent Law)
- Section 423: Apportionment for Instructional Services Agreements/Contracts
- Section 424: State General Apportionment Funding System
- Section 425: Residency Determination for Credit Courses
- Section 426: Students Actively Enrolled
- Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431: Gann Limit Calculation
- Section 433: CalWORKs
- Section 435: Open Enrollment
- Section 437: Student Fees – Instructional and Other Materials
- Section 438: Student Fees – Health Fees and Use of Health Fee Funds
- Section 474: Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475: DSPS – Disabled Student Programs and Services (DSPS)
- Section 476 - Curriculum and Instruction
- Section 479: To Be Arranged Hours (TBA)

In our opinion Grossmont-Cuyamaca Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012.

This report is intended solely for the information and use of the Board of Trustees, others within the entity, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, the California Department of Education, 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.

*Christy White Associates*

San Diego, California  
December 4, 2012

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## **FINDINGS AND QUESTIONED COSTS SECTION**

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2012**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

|  |                    |
|--|--------------------|
| Type of auditors' report issued  | <u>Unqualified</u> |
| Internal control over financial reporting:   |                    |
| Material weakness(es) identified?  | <u>No</u>          |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | <u>No</u>          |
| Noncompliance material to financial statements noted?                              | <u>No</u>          |

*Federal Awards*

|  |                    |
|--|--------------------|
| Internal control over major programs:  |                    |
| Material weakness(es) identified?  | <u>No</u>          |
| Significant deficiency(ies) identified not considered to be material weakness(es)?                               | <u>No</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>No</u>          |

Identification of major programs:

| <u>CFDA Numbers</u>                           | <u>Name of Federal Program or Cluster</u>  |
|---|--|
| 84.007, 84.032, 84.033,<br>84.063, and 84.375 | Student Financial Aid Cluster              |
| 84.048, 84.243                                | Vocational and Technical Education Cluster |

|  |                   |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 983,706</u> |
| Auditee qualified as low-risk auditee?                                   | <u>Yes</u>        |

*State Awards*

|  |                    |
|--|--------------------|
| Internal control over state programs:  |                    |
| Material weakness(es) identified?  | <u>No</u>          |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | <u>No</u>          |
| Type of auditors' report issued on compliance for state programs:                  | <u>Unqualified</u> |

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2012**

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**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

*There were no financial statement findings or questioned costs were noted during 2011-12.*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2012**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no audit findings or questioned costs related to Federal Awards during 2011-12*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2012**

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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no audit findings or questioned costs related to State Awards during 2011-12.*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2012**

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**FINDING 2011-1 – STUDENT FINANCIAL AID CLUSTER – CFDA 84.007, 84.032, 84.033, 84.063 AND 84.375**

**Criteria:** Code of Federal Regulations, Title 34, Section 668.34 requires that a student make satisfactory academic progress, or file a petition in order to be eligible to receive title IV assistance.

**Condition:** During the 2010-11 fiscal year it was determined that students who were ineligible for funding did receive financial aid disbursements.

**Cause:** The disbursement of Title IV funds to ineligible students appears to have been caused by a system error in the District's financial aid software system.

**Questioned Costs:** In our audit sample we noted that \$4,025 was disbursed to students who were not eligible to receive financial aid. However, the District has reviewed all disbursements and identified all ineligible students who received aid during the 2010-11 fiscal year. Subsequent to 6/30/11 the District has remitted funds for all prior disbursements to ineligible students.

**Perspective:** Two of eighty students tested at both College sites.

**Effect:** Non-compliance with Code of Federal Regulations, Title 34, Section 668.34.

**Recommendation:** We recommend that the District continue to monitor and independently test a sample of disbursements to ensure no aid is provided to ineligible students.

**Status:** Implemented.