

# GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

COUNTY OF SAN DIEGO

## AUDIT REPORT

FOR THE FISCAL YEARS ENDED  
JUNE 30, 2014 AND 2013

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION  
*associates*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
TABLE OF CONTENTS**

---

**FINANCIAL SECTION**

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	4
Financial Statements:	
Government-wide Financial Statements	
Statements of Net Position.....	10
Statements of Revenues, Expense, and Change in Net Position .....	11
Statements of Cash Flows .....	12
Fiduciary Fund Financial Statements	
Statements of Net Position.....	14
Statements of Changes in Net Position .....	18
Discretely Presented Component Unit – Grossmont-Cuyamaca Community College District	
Auxiliary Organization	
Statements of Financial Position.....	20
Statements of Activities .....	21
Statements of Cash Flows .....	23
Notes to Financial Statements.....	24

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress .....	53
------------------------------------	----

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
TABLE OF CONTENTS**

---

**SUPPLEMENTARY INFORMATION**

Local Educational Agency Organization Structure .....	54
Schedule of Expenditures of Federal Awards .....	55
Schedule of Expenditures of State Awards.....	56
Schedule of Workload Measures for State General Apportionment- Annual/Actual Attendance .....	58
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements .....	59
Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Position.....	60
Reconciliation of the ECS 84362 (50 Percent Law) Calculation .....	61
Details of the Education Protection Account.....	62
Note to the Supplementary Information.....	63

**OTHER INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64
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 .....	66
Report on State Compliance .....	68

**FINDINGS AND QUESTIONED COSTS SECTION**

Schedule of Audit Findings and Questioned Costs .....	70
Summary Schedule of Prior Audit Findings .....	74

## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Daud

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

**Corporate Office:**

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

toll-free: 877.220.7229

tel: 619.270.8222

fax: 619.260.9085

[www.christywhite.com](http://www.christywhite.com)

*Licensed by the California  
State Board of Accountancy*

Board of Trustees

Grossmont-Cuyamaca Community College District  
El Cajon, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activity, and discretely presented component unit of the Grossmont-Cuyamaca Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Grossmont-Cuyamaca Community College District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, and discretely presented component unit of the Grossmont-Cuyamaca Community College District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 9, and the schedule of funding progress on page 53 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grossmont-Cuyamaca Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of Grossmont-Cuyamaca Community College 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grossmont-Cuyamaca Community College District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Christy White Associates". The signature is written in a cursive, flowing style.

December 23, 2014  
San Diego, California

---

---

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**

---

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 27,000 students per semester. Full-Time Equivalent Student (FTES) for 2013-14 was 18,060.

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, 2014. 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 Position increased by \$587 thousand or .6 percent from the prior year. The increase is attributable to the continued application of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*.

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

Additionally, fund balance is referred to as Net Position, 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, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

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

The Statements of Net Position present the assets, liabilities, and net position of the District as of the end of the fiscal years ended June 30, 2014, 2013, and 2012 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 position) is one indicator of the current financial condition of the District, or one way to measure the financial health of the District.

The net position is 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 Position. These net positions 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 Position that is available to the District for any lawful purpose. Although unrestricted, the District's Governing Board may place internal restrictions on these net position, but it retains the power to change, remove, or modify such restrictions.

The Statements of Revenues, Expense, and Changes in Net Position 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 position, as indicated on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position.

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, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

**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 Position. The net cash reconciliation is shown in the expanded version of the Statements of Cash Flows in the financial statements.

The Statements of Net Position as of June 30, 2014, 2013, and 2012 are summarized below:

(Amounts in thousands)	Governmental Activities		
	2014	2013	2012
<b>ASSETS</b>			
Current assets	\$ 139,800	\$ 62,614	\$ 67,900
Non-current assets	298,867	297,503	284,286
<b>Total Assets</b>	<b>438,667</b>	<b>360,117</b>	<b>352,186</b>
<b>LIABILITIES</b>			
Current liabilities	34,979	32,180	34,231
Non-current liabilities	298,813	223,649	227,379
<b>Total Liabilities</b>	<b>333,792</b>	<b>255,829</b>	<b>261,610</b>
<b>NET POSITION</b>			
Net investment in capital assets	71,104	79,124	64,629
Restricted	31,437	20,068	17,495
Unrestricted	2,335	5,096	8,452
<b>Total Net Position</b>	<b>\$ 104,875</b>	<b>\$ 104,288</b>	<b>\$ 90,576</b>

The District's total assets increased \$78.5 million or 22 percent from the previous year. The majority of the increase was based on an increase to cash and cash equivalents due to the \$80,000,000 in a new debt issuance.

Total liabilities increased by \$78 million or 30 percent from the previous year. This is related mainly to the debt service associated with the \$80,000,000 debt issuance.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

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

The Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2014, 2013, and 2012 are summarized below:

(Amounts in thousands)	Governmental Activities		
	2014	2013	2012
<b>Operating activities</b>			
Operating revenues	\$ 54,035	\$ 56,106	\$ 60,550
Operating expenses	141,018	142,803	174,326
Deficit before depreciation and nonoperating income and expenses	(86,983)	(86,697)	(113,776)
<b>Depreciation</b>			
Depreciation expense	8,148	7,532	7,104
Deficit before nonoperating income and expense	(95,131)	(94,229)	(120,880)
<b>Nonoperating income and expense</b>			
Nonoperating income and expense, net	98,483	92,100	91,984
<b>Change in net position</b>	\$ 3,352	\$ (2,129)	\$ (28,896)

The Changes in Net Position comparison presents the District's results of operations and shows an increase in net position of \$3.4 million. The operating gain increased by \$5.5 million or 257% percent. State apportionment and property taxes are recorded in nonoperating income.

The Statements of Cash Flows for the fiscal years ended June 30, 2014, 2013, and 2012 are summarized below:

(Amounts in thousands)	Governmental Activities		
	2014	2013	2012
Operating activities	\$ (84,728)	\$ (84,799)	\$ (104,958)
Noncapital financing activities	121,472	106,669	101,570
Capital and related financing activities	43,688	(25,162)	(14,673)
Investing activities	356	86	295
Net Change in Cash and Cash Equivalents	80,788	(3,206)	(17,766)
Cash and Cash Equivalents - Beginning of Year	39,792	42,998	60,764
Cash and Cash Equivalents - End of Year	\$ 120,580	\$ 39,792	\$ 42,998

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

**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 Position and Changes in Fiduciary Net Position. Net Position of fiduciary activities are excluded from the District's net position 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, 2014, the District had approximately \$371 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, other equipment, and GASB 62 capitalized interest adjustment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of \$72.4 million, leaving a net asset amount of \$298.9.

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

(Amounts in thousands)	Governmental Activities		
	2014	2013	2012
Land	\$ 1,819	\$ 1,819	\$ 1,819
Construction in progress	7,171	3,957	2,726
Site improvements	58,088	51,858	49,557
Buildings	295,339	293,233	274,127
Furniture and equipment	8,883	8,156	7,965
Accumulated depreciation	(72,433)	(64,285)	(54,914)
<b>Total Capital Assets, net</b>	<b>\$ 298,867</b>	<b>\$ 294,738</b>	<b>\$ 281,280</b>

Total net capital assets increased by \$4.1 million from the previous year as a result of construction in process of \$3.2 million. Major construction consisted of classroom and electrical infrastructure upgrades.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

In 2013-14, the District reported 18,060 Resident FTES. The State funded only 17,502. The State began the process of repaying prior cash deferrals which had impacted the District's operational abilities.

**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.

---

---

## FINANCIAL SECTION

---

---

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

---

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 120,580,099	\$ 40,577,685
Investments	219,483	213,316
Accounts receivable	18,126,769	20,996,332
Prepaid expenses	819,552	752,721
Stores Inventory	54,323	73,778
Due from fiduciary funds	29	-
<b>Total Current Assets</b>	<b>139,800,255</b>	<b>62,613,832</b>
<b>NONCURRENT ASSETS</b>		
Deferred charges	-	2,764,355
Capital assets, net of accumulated depreciation	298,867,456	294,738,717
<b>Total Noncurrent Assets</b>	<b>298,867,456</b>	<b>297,503,072</b>
<b>TOTAL ASSETS</b>	<b>438,667,711</b>	<b>360,116,904</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	7,164,416	5,059,466
Accrued interest payable	3,867,400	2,372,364
Deferred revenue	4,123,521	3,940,945
Current loan	-	8,000,000
Amounts held in trust on behalf of others	3,830,359	3,830,359
Current Portion - Long-term debt	15,993,421	8,976,512
<b>Total Current Liabilities</b>	<b>34,979,117</b>	<b>32,179,646</b>
<b>NONCURRENT LIABILITIES</b>		
Noncurrent portion - Long-term debt	298,813,410	223,649,473
<b>TOTAL LIABILITIES</b>	<b>333,792,527</b>	<b>255,829,119</b>
<b>NET POSITION</b>		
Net investment in capital assets	71,103,617	79,123,670
Restricted for:		
Debt service	20,174,920	10,740,051
Capital projects	11,261,834	9,327,972
Unrestricted	2,334,813	5,096,092
<b>TOTAL NET POSITION</b>	<b>\$ 104,875,184</b>	<b>\$ 104,287,785</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 Position**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 28,815,448	26,866,027
Less: Scholarship discount & allowance	(14,836,541)	(13,302,809)
Net tuition & fees	<u>13,978,907</u>	<u>13,563,218</u>
Grants and Contracts, noncapital:		
Federal	30,127,455	29,574,323
State	10,031,205	8,795,002
Internal Service Sales and Charges	(102,725)	4,173,870
Subtotal	<u>40,055,935</u>	<u>42,543,195</u>
TOTAL OPERATING REVENUES	<u>54,034,842</u>	<u>56,106,413</u>
<b>OPERATING EXPENSES</b>		
Salaries	68,812,978	64,063,725
Benefits	25,197,351	28,233,905
Supplies, materials, & other operating expenses and services	47,007,796	50,505,824
Depreciation	8,147,870	7,531,635
TOTAL OPERATING EXPENSES	<u>149,165,995</u>	<u>150,335,089</u>
<b>OPERATING LOSS</b>	<u>(95,131,153)</u>	<u>(94,228,676)</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>		
State apportionments, non-capital	38,558,091	33,383,010
Local property taxes	49,212,380	40,843,699
State taxes & other revenues	21,449,578	20,790,983
Investment income - Non-capital	397,256	142,179
Other local revenues	3,040,813	10,968,915
Interest expense	(14,790,069)	(13,983,474)
TOTAL NONOPERATING REVENUES	<u>97,868,049</u>	<u>92,145,312</u>
<b>LOSS BEFORE OTHER REVENUES AND GAINS</b>	2,736,896	(2,083,364)
<b>OTHER REVENUES AND GAINS/(LOSSES)</b>		
State grants and contracts, capital	614,858	-
Loss on disposal of equipment	-	(45,253)
TOTAL OTHER REVENUES AND GAINS	<u>614,858</u>	<u>(45,253)</u>
<b>CHANGE IN NET POSITION</b>	3,351,754	(2,128,617)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>104,287,785</u>	<u>90,576,206</u>
<b>ADJUSTMENT FOR RESTATEMENT (see Note 12)</b>	(2,764,355)	15,840,196
<b>NET POSITION, AS RESTATED</b>	<u>101,523,430</u>	<u>106,416,402</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 104,875,184</u>	<u>\$ 104,287,785</u>

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, 2014 and 2013**

---

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 13,978,907	\$ 13,567,694
Grants and contracts	40,158,660	38,128,267
Payments to or on behalf of employees	(94,010,329)	(90,162,630)
Payments to vendors for supplies and services	(13,961,084)	(22,555,641)
Payments to students for scholarships and grants	(30,791,396)	(27,950,183)
Internal service sales and charges	(102,725)	4,173,870
Net Cash Flows From Operating Activities	(84,727,967)	(84,798,623)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	45,370,425	36,244,588
Property taxes	49,212,380	40,843,699
State taxes and other revenue	22,939,043	19,733,750
Other nonoperating revenues	3,949,669	9,846,514
Net Cash Flows From Noncapital Financing Activities	121,471,517	106,668,551
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(12,354,011)	(5,104,807)
Issuance of capital debt	85,470,000	
Principal paid on capital debt	(14,678,419)	(6,130,000)
Interest paid on capital debt	(14,790,069)	(13,983,474)
Interest received on capital debt	40,794	56,347
Net Cash Flows From Capital Financing Activities	43,688,295	(25,161,934)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	356,462	85,832
Net Cash Flows From Investing Activities	356,462	85,832
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	80,788,307	(3,206,174)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	39,791,792	42,997,966
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 120,580,099	\$ 39,791,792

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Cash Flows, continued**  
**June 30, 2014 and 2013**

---

	2014	2013
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (95,131,153)	\$ (94,228,676)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	8,147,870	7,531,635
Changes in Assets and Liabilities:		
Receivables, net	(2,869,563)	3,314,424
Inventories	(19,455)	3,806
Prepaid items	(66,831)	(452,393)
Deferred charges	(2,764,355)	-
Accounts payable and accrued liabilities	7,792,944	(2,135,162)
Deferred revenue	182,576	638,813
Funds held for others	-	528,227
Total Adjustments	10,403,186	9,429,350
<b>Net Cash Flows From Operating Activities</b>	<b>\$ (84,727,967)</b>	<b>\$ (84,799,326)</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING</b>		
Cash in banks	\$ 4,133,837	\$ 4,230,935
Cash in county treasury	116,446,262	36,346,750
<b>Total Cash and Cash Equivalents</b>	<b>\$ 120,580,099</b>	<b>\$ 40,577,685</b>
<b>NONCASH TRANSACTIONS</b>		
On behalf payments for benefits	\$ 3,830,359	\$ 1,815,923

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Position – Fiduciary Funds**  
**June 30, 2014 and 2013**

2014	Agency			
	Associated Students Cuyamaca	Associated Students Grossmont	Grossmont Student Trust Organization	Student Representation Fee
<b>ASSETS</b>				
Cash and cash equivalents	\$ 76,496	\$ 405,503	\$ 82,415	\$ 267,824
Accounts receivable	22,899	6,121	588	-
Stores inventories	-	1,911	-	-
Fixed assets, net	-	256	-	-
<b>Total Assets</b>	<b>99,395</b>	<b>413,791</b>	<b>83,003</b>	<b>267,824</b>
<b>LIABILITIES</b>				
Accounts payable	12,020	9,255	820	-
Due to other funds	-	-	-	-
Due to student groups	87,375	404,536	82,183	267,824
<b>Total Liabilities</b>	<b>99,395</b>	<b>413,791</b>	<b>83,003</b>	<b>267,824</b>
<b>NET ASSETS</b>				
Reserved	-	-	-	-
<b>Total Liabilities and Net Assets</b>	<b>\$ 99,395</b>	<b>\$ 413,791</b>	<b>\$ 83,003</b>	<b>\$ 267,824</b>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Position – Fiduciary Funds, continued**  
**June 30, 2014 and 2013**

Scholarship and Loan Trust		Financial Aid Fund		District Trust		Student Center Funds		Total 2014
\$	303,271	\$	1,001,400	\$	411,149	\$	480,408	\$ 3,028,466
	120,605		1,160,035		177,363		464	1,488,075
	-		-		-		-	1,911
	-		-		-		-	256
	423,876		2,161,435		588,512		480,872	4,518,708
	-		347,792		10,397		415,307	795,591
	-		690,944		-		-	690,944
	-		-		-		-	841,918
	-		1,038,736		10,397		415,307	2,328,453
	423,876		1,122,699		578,115		65,565	2,190,255
\$	423,876	\$	2,161,435	\$	588,512	\$	480,872	\$ 4,518,708

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Position – Fiduciary Funds, continued**  
**June 30, 2014 and 2013**

2013	Agency			
	Associated Students Cuyamaca	Associated Students Grossmont	Grossmont Student Trust Organization	Student Representation Fee
<b>ASSETS</b>				
Cash and cash equivalents	\$ 74,901	\$ 423,246	\$ 77,391	\$ 249,670
Accounts receivable	23,729	7,960	134	-
Stores inventories	-	2,869	-	-
Fixed assets, net	-	225	-	-
<b>Total Assets</b>	<b>98,630</b>	<b>434,300</b>	<b>77,525</b>	<b>249,670</b>
<b>LIABILITIES</b>				
Accounts payable	8,099	10,514	544	-
Due to other funds	-	-	703	-
Due to student groups	90,531	423,786	76,278	249,670
<b>Total Liabilities</b>	<b>98,630</b>	<b>434,300</b>	<b>77,525</b>	<b>249,670</b>
<b>NET ASSETS</b>				
Reserved	-	-	-	-
<b>Total Liabilities and Net Assets</b>	<b>\$ 98,630</b>	<b>\$ 434,300</b>	<b>\$ 77,525</b>	<b>\$ 249,670</b>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Net Position – Fiduciary Funds, continued**  
**June 30, 2014 and 2013**

---

Scholarship and Loan Trust		Financial Aid Fund	District Trust	Student Center Funds	Total 2013			
\$	290,459	\$	613,093	\$	516,106	\$ 2,607,924		
	121,705		1,828,168		403	2,181,312		
	-		-		-	2,869		
	-		-		-	225		
	412,164		2,441,261		516,509	4,792,330		
	-		519,762		8,023	414,326	961,268	
	-		-		-	-	703	
	-		-		-	-	840,265	
	-		519,762		8,023	414,326	1,802,236	
	412,164		1,921,499		554,248	102,183	2,990,094	
\$	412,164	\$	2,441,261	\$	562,271	\$	516,509	\$ 4,792,330

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Changes in Net Position – Fiduciary Funds**  
**For the Years Ended June 30, 2014 and 2013**

---

	2014				
	Scholarship and Loan Trust	Financial Aid Fund	District Trust	Student Center Funds	Total
<b>ADDITIONS</b>					
Operating revenues	\$ 372,658	\$ 29,992,596	\$ 426,472	\$ 71,699	\$ 30,863,425
<b>Total Additions</b>	372,658	29,992,596	426,472	71,699	30,863,425
<b>DEDUCTIONS</b>					
Operating expenses	360,946	30,791,396	402,605	108,317	31,663,264
<b>Total Deductions</b>	360,946	30,791,396	402,605	108,317	31,663,264
<b>Change in Net Position</b>	11,712	(798,800)	23,867	(36,618)	(799,839)
<b>Net Position - Beginning</b>	412,164	1,921,499	554,248	102,183	2,990,094
<b>Net Position - Ending</b>	\$ 423,876	\$ 1,122,699	\$ 578,115	\$ 65,565	\$ 2,190,255

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Statements of Changes in Net Position – Fiduciary Funds, continued**  
**For the Years Ended June 30, 2014 and 2013**

	2013				
	Scholarship and Loan Trust	Financial Aid Fund	District Trust	Student Center Funds	Total
<b>ADDITIONS</b>					
Operating revenues	\$ 412,052	\$ 28,942,679	\$ 328,942	\$ 70,323	\$ 29,753,996
<b>Total Additions</b>	412,052	28,942,679	328,942	70,323	29,753,996
<b>DEDUCTIONS</b>					
Operating expenses	416,089	27,950,183	304,994	103,001	28,774,267
<b>Total Deductions</b>	416,089	27,950,183	304,994	103,001	28,774,267
<b>Change in Net Position</b>	(4,037)	992,496	23,948	(32,678)	979,729
<b>Net Position - Beginning</b>	416,201	929,003	530,300	134,861	2,010,365
<b>Net Position - Ending</b>	\$ 412,164	\$ 1,921,499	\$ 554,248	\$ 102,183	\$ 2,990,094

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, 2014**

---

	2014	2013
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 327,853	\$ 269,920
Accounts receivable	227,204	455,059
Due from related entities	1,291,767	1,066,439
Total current assets	1,846,824	1,791,418
Capital assets, net	1,522	2,663
<b>Total Assets</b>	<b>\$ 1,848,346</b>	<b>\$ 1,794,081</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 192,129	\$ 519,511
Accrued payroll liabilities	83,764	120,445
Compensated absences	104,430	185,283
Due to related entities	1,128,816	665,844
Total liabilities	1,509,139	1,491,083
Net assets		
Unrestricted	(32,023)	(105,996)
Temporarily restricted	371,230	408,994
Total net assets	339,207	302,998
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,848,346</b>	<b>\$ 1,794,081</b>

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****For the Fiscal Years Ended June 30, 2014 and 2013**

---

	2014		
		Temporarily	
	Unrestricted	Restricted	Total
<b>REVENUES AND PUBLIC SUPPORT</b>			
Categorical allowances	\$ 5,762,374	\$ 288,814	\$ 6,051,188
Contributions	-	90,325	90,325
Contract education and services	45,838	139,717	185,555
Interest income	272	-	272
Other local revenues	322,813	38,198	361,011
Total revenues and public support	6,131,297	557,054	6,688,351
Net assets released from restrictions	594,818	(594,818)	-
<b>Total Revenues and Public Support, net</b>	<b>6,726,115</b>	<b>(37,764)</b>	<b>6,688,351</b>
<b>OPERATING EXPENSES</b>			
Program services	6,314,315	-	6,314,315
Supporting services	337,827	-	337,827
<b>Total Operating Expenses</b>	<b>6,652,142</b>	<b>-</b>	<b>6,652,142</b>
<b>CHANGE IN NET POSITION</b>	73,973	(37,764)	36,209
<b>Net Assets - Beginning</b>	(105,996)	408,994	302,998
<b>Net Assets - Ending</b>	<b>\$ (32,023)</b>	<b>\$ 371,230</b>	<b>\$ 339,207</b>

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, 2014 and 2013**

	2013		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND PUBLIC SUPPORT</b>			
Categorical allowances	\$ 5,371,144	\$ 331,594	\$ 5,702,738
Contributions	-	515,000	515,000
Contract education and services	21,263	38,409	59,672
Interest income	350	-	350
Other local revenues	303,033	102,340	405,373
Total revenues and public support	5,695,790	987,343	6,683,133
Net assets released from restrictions	746,948	(746,948)	-
<b>Total Revenues and Public Support, net</b>	<b>6,442,738</b>	<b>240,395</b>	<b>6,683,133</b>
<b>OPERATING EXPENSES</b>			
Program services	6,155,932	-	6,155,932
Supporting services	363,359	-	363,359
<b>Total Operating Expenses</b>	<b>6,519,291</b>	<b>-</b>	<b>6,519,291</b>
<b>CHANGE IN NET POSITION</b>	(76,553)	240,395	163,842
<b>Net Assets - Beginning</b>	(29,443)	168,599	139,156
<b>Net Assets - Ending</b>	<b>\$ (105,996)</b>	<b>\$ 408,994</b>	<b>\$ 302,998</b>

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, 2014 and 2013**

---

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 36,209	\$ 163,842
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,141	1,141
(Increase) decrease in operating assets:		
Accounts receivable	(227,855)	(155,374)
Due from related entities	225,328	602,344
Increase (decrease) in operating liabilities:		
Accounts payable	(322,328)	382,247
Accrued payroll payable	(36,681)	(84,775)
Compensated absences	(80,853)	(5,126)
Due to related entities	462,972	(720,004)
<b>Net cash provided by (used in) operating activities</b>	<b>57,933</b>	<b>184,295</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>57,933</b>	<b>184,295</b>
<b>Cash and cash equivalents - Beginning</b>	<b>269,920</b>	<b>85,625</b>
<b>Cash and cash equivalents - Ending</b>	<b>\$ 327,853</b>	<b>\$ 269,920</b>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

---

**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, 2014**

---

**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. The PEAR Plan's assets were transferred to the Sa Diego County Fringe Benefits Consortium. As of March 20, 2014, the Plan did not have any plan assets.

**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, 2014**

---

**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 Position
  - Statements of Revenues, Expenses, and Changes in Net Position
  - 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, 2014**

---

**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, 2014.

**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, 2014**

---

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

**Bond Premiums, and Discounts**

Bond premiums and discounts 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 Position**

GASB Statements No. 34 and No. 35 report equity as “Net Position.” Net Position 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, 2014

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

- **Restricted – Expendable** – Net Position 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 Position that is not subject to externally imposed constraints. Unrestricted net position 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 \$33,514,076 of restricted net position.

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.
- **Non-operating revenues** – Non-operating revenues include activities that have the characteristics of non-exchange 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 non-operating 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.
- **Non-operating expenses** – Non-operating 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, 2014**

---

**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 \$1,815,923 and \$2,014,436 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 Position. 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, 2014**

---

**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 ending June 30, 2014 and 2013, the District distributed \$1,619,817 and \$1,999,982, 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 Position. 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 March 2012, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables.

The District has implemented the ongoing provisions of this Statement for the year ended June 30, 2014.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

**New Accounting Pronouncement (continued)**

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, and were incorporated in the 2013-14 fiscal year.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

**New Accounting Pronouncement (continued)**

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures, as well as note disclosure and required supplementary information requirements.

This Statement is effective for fiscal years beginning after June 15, 2014, and will be implemented by the District in the 2014-15 fiscal year.

**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.

**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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

**Policies and Practices (continued)**

**Investment in County Treasury** – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair market value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair market value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	40%	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, 2014**

---

**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, 2014, consist of the following:

<b>Governmental Funds:</b>	
Cash on hand and in banks	\$ 4,133,837
Cash in San Diego County Investment Pool	116,446,262
Investments	219,483
Total Cash and Investments	<u>\$ 120,799,582</u>
<b>Fiduciary Funds:</b>	
Cash on hand and in banks	\$ 2,512,858
Cash in San Diego County Investment Pool	515,608
Total Cash and Investments	<u>\$ 3,028,466</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	\$ 219,483	April 1, 2031
San Diego County Investment Pool	116,974,728	366*
Total	<u>\$ 117,194,211</u>	

\*Weighted average days to maturity



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

**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, 2014. 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.

**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, 2014, the District's bank balance of \$4,907,357 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, 2014**

---

**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, 2014 and 2013 are as follows:

	2014		2013	
	Primary		Primary	
	Government	Fiduciary Funds	Government	Fiduciary Funds
Federal				
Categorical aid	\$ 1,642,018	\$ 1,160,035	\$ 841,258	\$ 1,244,982
State				
Apportionment	11,148,598	-	12,454,998	-
Categorical aid	188,023	-	1,212,487	-
Lottery	1,314,581	-	1,404,060	-
Other State sources	95,929	-	573,174	-
Local				
Other local sources	3,737,620	328,040	4,510,355	936,330
Total	<u>\$ 18,126,769</u>	<u>\$ 1,488,075</u>	<u>\$ 20,996,332</u>	<u>\$ 2,181,312</u>

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2014 was as follows:

	Balance July 01, 2013	Additons	Deductions	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land	1,818,942	\$ -	\$ -	\$ 1,818,942
Construction in progress	3,957,207	3,435,860	222,225	7,170,842
Total Capital Assets Not Being Depreciated	<u>5,776,149</u>	<u>3,435,860</u>	<u>222,225</u>	<u>8,989,784</u>
Capital Assets Being Depreciated				
Buildings	293,233,191	2,106,083	-	295,339,274
Site Improvements	51,858,714	6,229,151	-	58,087,865
Furniture and equipment	8,155,934	805,142	77,653	8,883,423
Total Capital Assets Being Depreciated	<u>353,247,839</u>	<u>9,140,376</u>	<u>77,653</u>	<u>362,310,562</u>
Total Capital Assets	<u>359,023,988</u>	<u>12,576,236</u>	<u>299,878</u>	<u>371,300,346</u>
Less Accumulated Depreciation				
Buildings	42,411,598	5,823,059	-	48,234,657
Site Improvements	14,893,338	1,878,634	-	16,771,972
Furniture and equipment	6,980,335	446,177	251	7,426,261
Total Accumulated Depreciation	<u>64,285,271</u>	<u>8,147,870</u>	<u>251</u>	<u>72,432,890</u>
Net Capital Assets	<u>\$ 294,738,717</u>	<u>\$ 4,428,366</u>	<u>\$ 299,627</u>	<u>\$ 298,867,456</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

Capital asset activity for the District for the fiscal year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additons	Deductions	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land	\$ 1,818,942	\$ -	\$ -	\$ 1,818,942
Construction in progress	2,726,455	1,299,931	69,179	3,957,207
Total Capital Assets Not Being Depreciated	4,545,397	1,299,931	69,179	5,776,149
Capital Assets Being Depreciated				
Buildings	274,127,144	19,106,047	-	293,233,191
Site Improvements	49,556,456	2,302,258	-	51,858,714
Furniture and equipment	7,964,977	501,185	310,228	8,155,934
Total Capital Assets Being Depreciated	331,648,577	21,909,490	310,228	353,247,839
Total Capital Assets	336,193,974	23,209,421	379,407	359,023,988
Less Accumulated Depreciation				
Buildings	35,020,962	7,390,636	-	42,411,598
Site Improvements	12,963,728	1,929,610	-	14,893,338
Furniture and equipment	6,929,187	406,629	355,481	6,980,335
Total Accumulated Depreciation	54,913,877	9,726,875	355,481	64,285,271
Net Capital Assets	\$ 281,280,097	\$ 13,482,546	\$ 23,926	\$ 294,738,717

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

**NOTE 6 – LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations for the 2014 fiscal year consisted of the following:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds, Series 2003A	\$ 7,180,000	\$ -	\$ 7,180,000	\$ -	\$ -
General obligation bonds, Series 2005B	9,389,102	776,186	1,350,000	8,815,288	1,750,000
General obligation bonds, Series 2008C	66,899,586	3,202,691	-	70,102,277	-
General obligation bonds, Series 2008 Refunding	121,821,532	1,627,406	3,810,000	119,638,938	5,640,000
General obligation bonds, Series 2013A	-	80,000,000	-	80,000,000	5,860,000
General obligation bonds, Series 2013 Refunding	-	5,470,000	-	5,470,000	395,000
Unamortized premium	17,519,450	4,944,668	1,526,416	20,937,702	1,526,416
Lease revenue bond, Series 2001A	1,410,000	-	140,000	1,270,000	150,000
<b>Total Bonds and Notes Payable</b>	<b>224,219,670</b>	<b>96,020,951</b>	<b>14,006,416</b>	<b>306,234,205</b>	<b>15,321,416</b>
<b>Other Liabilities</b>					
Compensated absences	2,894,650	209,204	-	3,103,854	-
Other postemployment benefits	2,823,647	629,110	-	3,452,757	-
Supplemental employee retirement plan	2,688,018	-	672,003	2,016,015	672,005
<b>Total Other Liabilities</b>	<b>8,406,315</b>	<b>838,314</b>	<b>672,003</b>	<b>8,572,626</b>	<b>672,005</b>
<b>Total Long-Term Obligations</b>	<b>\$ 232,625,985</b>	<b>\$ 96,859,265</b>	<b>\$ 14,678,419</b>	<b>\$ 314,806,831</b>	<b>\$ 15,993,421</b>

The changes in the District's long-term obligations for the 2013 year consisted of the following:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds, Series 2003A	\$ 8,765,000	\$ -	\$ 1,585,000	\$ 7,180,000	\$ 1,655,000
General obligation bonds, Series 2005B	10,812,712	26,390	1,450,000	9,389,102	1,350,000
General obligation bonds, Series 2008C	63,373,790	3,525,796	-	66,899,586	-
General obligation bonds, Series 2008 Refunding	123,338,155	1,448,377	2,965,000	121,821,532	3,810,000
Unamortized premium	18,868,957	-	1,349,507	17,519,450	1,349,507
Lease revenue bond, Series 2001A	1,540,000	-	130,000	1,410,000	140,000
<b>Total Bonds and Notes Payable</b>	<b>226,698,614</b>	<b>5,000,563</b>	<b>7,479,507</b>	<b>224,219,670</b>	<b>8,304,507</b>
<b>Other Liabilities</b>					
Compensated absences	2,863,011	31,639	-	2,894,650	-
Other postemployment benefits	2,608,912	214,735	-	2,823,647	-
Supplemental employee retirement plan	3,508,810	-	820,792	2,688,018	672,005
<b>Total Other Liabilities</b>	<b>8,980,733</b>	<b>246,374</b>	<b>820,792</b>	<b>8,406,315</b>	<b>672,005</b>
<b>Total Long-Term Obligations</b>	<b>\$ 235,679,347</b>	<b>\$ 5,246,937</b>	<b>\$ 8,300,299</b>	<b>\$ 232,625,985</b>	<b>\$ 8,976,512</b>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

**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, 2014, \$1,270,000 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, 2014, the balance outstanding was \$3,103,854.

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

**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, 2014, the remaining balance of \$7,180,000 of Series 2003A was refunded with proceeds from the Series 2013 issuance.

**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, 2014, the principal balance outstanding (including accreted interest to date) was \$8,815,288.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

**Bonded Debt (continued)**

**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, 2014, the principal balance outstanding (including accreted interest to date) was \$70,102,277.

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, 2014, the principal balance outstanding (including accreted interest to date) was \$119,638,938.

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.

The outstanding general obligation bonded debt as of June 30, 2014 is as follows:

Series	Maturity Date	Interest Yield	Original Issue	Bonds Outstanding July 1, 2013	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2014
2003A	08/01/27	2.50%-5.00%	\$ 55,000,000	\$ 7,180,000	\$ -	\$ -	\$ 7,180,000	\$ -
2005B	08/01/17	3.10%-4.31%	99,999,623	9,389,102	-	776,186	1,350,000	8,815,288
2008C	08/01/31	5.06%-6.50%	52,000,377	66,899,586	-	3,202,691	-	70,102,277
2008 Refunding	08/01/24	1.80%-4.25%	128,765,749	121,821,532	-	1,627,406	3,810,000	119,638,938
2013A	08/01/43	2.00%-5.25%	80,000,000	-	80,000,000	-	-	80,000,000
2013 Refunding	08/01/27	2.00%-4.50%	5,470,000	-	5,470,000	-	-	5,470,000
Total				\$ 205,290,220	\$ 85,470,000	\$ 5,606,283	\$ 12,340,000	\$ 284,026,503

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

**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	Interest	Total
2015	\$ 1,220,152	\$ 529,848	\$ 1,750,000
2016	1,455,498	744,502	2,200,000
2017	1,647,718	972,282	2,620,000
2018	1,849,987	1,250,013	3,100,000
Accretion	2,641,933	(2,641,933)	-
	<u>\$ 8,815,288</u>	<u>\$ 854,712</u>	<u>\$ 9,670,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,751,643	\$ 8,146,482	\$ 10,898,125
2016	2,537,957	8,565,168	11,103,125
2017	2,361,148	9,006,977	11,368,125
2018	6,350,000	5,258,125	11,608,125
2019	10,540,000	4,924,750	15,464,750
2020-2024	74,715,000	15,318,250	90,033,250
2025	13,240,000	662,000	13,902,000
Accretion	7,143,190	(7,143,190)	-
Total	<u>\$ 119,638,938</u>	<u>\$ 44,738,562</u>	<u>\$ 164,377,500</u>

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
2025-2029	28,624,897	53,395,103	82,020,000
2030-2032	23,375,480	49,444,520	72,820,000
Accretion	18,101,900	(18,101,900)	-
Total	<u>\$ 70,102,277</u>	<u>\$ 84,737,723</u>	<u>\$ 154,840,000</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

**Bonded Debt (continued)**

The general obligation bonds, Series 2013 and 2013 Refunding, mature through 2028 and 2044, respectively, as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 395,000	\$ 168,988	\$ 563,988
2016	330,000	161,738	491,738
2017	335,000	155,088	490,088
2018	340,000	148,338	488,338
2019	345,000	139,763	484,763
2020-2024	1,920,000	520,075	2,440,075
2025-2028	1,805,000	149,804	1,954,804
Total	\$ 5,470,000	\$ 1,443,794	\$ 6,913,794

Year Ending June 30,	Principal	Interest	Total
2015	\$ 5,860,000	\$ 3,754,238	\$ 9,614,238
2016	3,000,000	3,665,638	6,665,638
2017	2,790,000	3,579,838	6,369,838
2018	1,255,000	3,498,938	4,753,938
2019	1,305,000	3,447,738	4,752,738
2020-2024	7,485,000	16,209,063	23,694,063
2025-2029	9,555,000	14,079,181	23,634,181
2030-2034	12,310,000	11,247,338	23,557,338
2035-2039	15,905,000	7,563,281	23,468,281
2040-2044	20,535,000	2,805,466	23,340,466
Total	\$ 80,000,000	\$ 69,850,719	\$ 149,850,719

**Lease Revenue Bonds**

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 150,000	\$ 63,100	\$ 213,100
2016	160,000	55,600	215,600
2017	170,000	48,000	218,000
2018	180,000	39,500	219,500
2019	190,000	30,500	220,500
2020-2021	420,000	32,250	452,250
Total	\$ 1,270,000	\$ 268,950	\$ 1,538,950



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

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

**Supplemental Early Retirement Plan**

The District provided a board approved an Early Retirement Incentive in 2012. The future cost to the District as of June 30, 2014, was \$2,016,015. Payments are to be made from the District's General Fund of \$672,005 for the next three years.

**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, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	94
Active plan members	625
Total	<u>719</u>
Number of participating employers	1

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

**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 Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
11/1/2013	\$ -	\$ 16,547,369	\$ 16,547,369	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, 2014**

---

**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	11/1/2013
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	2.75%
Discount rate	4.75%
Healthcare cost trend rates:	
Long-term	4.00%

**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, 2014:

Annual required contribution (ARC)	\$ 2,080,133
Interest on net OPEB obligation	134,123
Adjustment to ARC	(125,150)
Annual OPEB cost	<u>2,089,106</u>
Contributions made:	
Pay-as-you-go cost	<u>1,459,996</u>
Total contributions made	<u>1,459,996</u>
Increase in net OPEB obligation	629,110
Net OPEB obligation - July 1, 2013	<u>2,823,647</u>
Net OPEB obligation - June 30, 2014	<u>\$ 3,452,757</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

**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, 2014, 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 2013-2014, 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 were processed by a third-party administrator, Benefit & Risk Management Services, Inc. (BRMS) up until December 31, 2012. As of January 1, 2013, the District became fully insured through the Voluntary Employees' Beneficiary Association (VEBA).

**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, 2014, the District made payments of \$1,483,698 and \$36,552 to ASCIP and SELF, respectively.

## GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements, continued

June 30, 2014

---

#### 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, 2014**

---

**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 2013-2014 was 8.3 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, 2014, 2013, and 2012, were \$3,114,552, \$2,887,941, and \$3,325,754, 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, 2014**

---

**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 2013-2014 was 11.442 percent of annual payroll.

**Annual Pension Cost**

The District’s contributions to CalPERS for fiscal years ending June 30, 2014, 2013, and 2012, were \$2,454,934 \$2,328,478 and \$2,351,574 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 \$2,036,267 (5.204 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, 2014. 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, 2014**

---

**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 final 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, 2014, 2013, and 2012 were \$222,673, \$204,465, and \$223,851 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, 2014.



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2014**

---

**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, 2014.

**Construction Commitments**

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for bond and capital outlay projects totaling \$642,242.

**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, 2014, categorical allowances paid to the Auxiliary totaled \$4,995,400.

As of June 30, 2014, the District had an accounts payable balance to the Auxiliary of \$1,291,767 relating to categorical allowances that was subsequently paid in full. At June 30, 2014 the Auxiliary had \$1,128,816 due to the District for personnel costs.

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, 2014, the Foundation for Grossmont and Cuyamaca Colleges provided \$179,236 in scholarships and other aid to the students of Grossmont and Cuyamaca Colleges.

**NOTE 12 – ADJUSTMENT FOR RESTATEMENT**

An adjustment of \$2,764,355 to decrease beginning net position was made to account for the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities as noted below:

	Primary Government
Net Position - Beginning, as Previously Reported	\$ 104,287,785
Restatement	(2,764,355)
Net Position - Beginning, as Restated	<u>\$ 101,523,430</u>

---

---

## **REQUIRED SUPPLEMENTARY INFORMATION**

---

---

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

---

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
11/1/2013	\$ -	\$ 16,547,369	\$ 16,547,369	0%	\$ 48,509,777	34%

---

---

## **SUPPLEMENTARY INFORMATION SECTION**

---

---

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Local Educational Agency Organization Structure**  
**June 30, 2014**

---

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>
Bill Garrett	President	December 2016
Edwin Hiel	Vice President	December 2014
Debbie Justeson	Clerk	December 2014
Greg Barr	Trustee	December 2014
Mary Kay Rosinski	Trustee	December 2016

**DISTRICT ADMINISTRATORS**

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

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

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

Sue Rearic  
*Vice Chancellor - Business Services*

Tim Corcoran  
*Vice Chancellor - Human Resources*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2014**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	FEDERAL EXPENDITURES
<b>U.S. Department of Education</b>		
Direct		
Student Financial Assistance Cluster		
Federal Supplemental Education Opportunity Grant - FSEOG	84.007	\$ 460,220
Student Financial Aid Administrative Costs	84.063	91,104
Federal Pell Grant - PELL	84.063	25,916,689
Federal College Work Study - FWS	84.033	286,324
Direct Loans	84.268	1,619,817
Total Student Financial Assistance Cluster		<u>28,374,154</u>
Passed through State Chancellor's Office		
Vocational and Technical Education Act		
VTEA IC	84.048	869,360
VTEA IB - Regional Consortium	84.048	220,000
VTEA IB - JSPAC	84.048	150,000
VTEA IB - Public Safety	84.048	71,451
VTEA III - Tech Prep	84.243	88,050
Total Vocational and Technical Education Act		<u>1,398,861</u>
<b>U.S. Department of Health and Human Services</b>		
Pass Through the California Department of Education (CDE)		
Temporary Assistance for Needy Families	93.558	91,638
Passed through San Diego State University		
Research Foundation		
San Diego Bridges to the Baccalaureate	93859	3,730
<b>U.S. Department of Agriculture</b>		
Pass Through the California Department of Education (CDE)		
Child and Adult Care Food Program	10.558	76,360
<b>U.S. Department of Veterans Affairs</b>		
Veteran's Education Reporting Fee	64.UNKNOWN	<u>15,217</u>
<b>Total Federal Programs</b>		<u>\$ 29,959,960</u>

See accompanying note to supplementary information.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of State Awards**  
**For the Fiscal Year Ended June 30, 2014**

	Program Entitlements		
	Current Year	Prior Year	Total Entitlements
GENERAL FUND			
Grants:			
AB 86	\$ 307,205	\$ -	\$ 307,205
Basic Skills	287,048	388,459	675,507
BiNatl Border Health	50,214	73,237	123,451
BiNatl Border Health	336,027	545,685	881,712
BiNatl Border Health	-	140,488	140,488
Board of Governors Grant - BFAP	859,719	33,145	892,864
CalWORKS	1,231,414	6,795	1,238,209
CalWORKS regional	10,000	424	10,424
CDC Renovatin & Repair	19,797	1,774	21,571
Community Coll Proj V	-	170,167	170,167
Community Coll Proj VI	-	387,023	387,023
Cooperative Agencies Resources for Education	212,128	21,496	233,624
Disabled Students Programs & Services	1,577,433	1,536	1,578,969
Economic Development ETC/REBRAC	-	73,543	73,543
Enrollment Growth III	221,000	-	221,000
Extended Opportunity Program	1,267,847	4,781	1,272,628
Foster Care Education	801,650	8,105	809,755
General Child Care	465,768	98,591	564,359
Health DSN	300,000	-	300,000
Infant Toddler Demo Site	28,918	1,988	30,906
Middle College HS	99,000	5,069	104,069
Matriculation	-	2,118	2,118
Pathway CTE	200,000	-	200,000
Staff Diversity	8,613	48,530	57,143
Staff Development	-	49,420	49,420
State Block Grants	430,865	187,300	618,165
Sustainable Inf	73,015	163,417	236,432
Sustainable Supply	137,379	193,302	330,681
Student Success & Support	1,328,470	-	1,328,470
Student Success & Support Non Credit	21,697	-	21,697
TAFY	15,000	-	15,000
Teacher Prep	-	68,112	68,112
Temp Assistance to Needy Families - TANF (State 50%)	104,040	5,762	109,802
TTIP	-	14,158	14,158
YESS ILP	22,500	-	22,500
Water/Wastewater	-	108,070	108,070
WIP Workplace Learning	-	354,870	354,870
WIP ETC	-	354,119	354,119
Workplace Learning Ctr	-	51,315	51,315
Prop 39 Clean Energy	350,000	-	350,000
Prop 20 Lottery Funds	537,898	-	537,898
Total	\$ 11,304,645	\$ 3,562,799	\$ 14,867,444

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, 2014**

Program Revenue				
Cash	Accounts	Deferred	Total	Program
Received	Receivable	Revenue	Revenue	Expenditures
\$ 153,602	\$ -	\$ 119,512	\$ 34,090	\$ 34,090
675,507	-	407,664	267,843	267,843
-	28,276	-	28,276	28,276
518,508	209,374	-	727,882	727,882
-	10,575	-	10,575	10,575
892,864	-	5,172	887,692	887,692
1,237,746	-	164,759	1,072,987	1,072,987
10,424	-	4,601	5,823	5,823
6,701	-	4,927	1,774	1,774
170,167	-	-	170,167	170,167
290,267	-	33,508	256,759	256,759
226,402	-	-	226,402	226,402
1,584,580	-	14,010	1,570,570	1,570,570
73,543	-	3,282	70,261	70,261
185,640	25,054	-	210,694	210,694
1,270,392	-	2,808	1,267,584	1,267,584
406,885	403,119	-	810,004	810,004
448,165	36,880	-	485,045	485,045
120,000	118,513	-	238,513	238,513
6,017	18,897	-	24,914	24,914
44,668	59,399	-	104,067	104,067
2,118	-	-	2,118	2,118
80,000	-	18,555	61,445	61,445
56,769	-	43,051	13,718	13,718
47,420	-	47,288	132	132
618,165	-	257,792	360,373	360,373
207,226	26,771	-	233,997	233,997
275,729	38,339	-	314,068	314,128
1,328,470	-	43,476	1,284,994	1,284,994
21,697	-	-	21,697	21,697
6,953	8,045	-	14,998	14,998
38,111	30,002	-	68,113	68,113
109,802	-	18,161	91,641	91,641
14,158	-	14,158	-	-
12,909	6,126	-	19,035	19,035
108,070	-	-	108,070	108,070
278,306	-	83,584	194,722	194,722
277,557	-	66,423	211,134	211,134
51,315	-	-	51,315	51,315
-	36,050	-	36,050	36,050
607,536	-	-	607,536	607,536
\$ 12,464,389	\$ 1,055,420	\$ 1,352,731	\$ 12,167,078	\$ 12,167,138

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, 2014**

	<b>Reported Data</b>	<b>Audit Adjustment</b>	<b>Revised Data</b>
<b>A. Summer Intersession (Summer 2013 Only)</b>			
1. Noncredit	6.87	-	6.87
2. Credit	612.39	-	612.39
<b>B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)</b>			
1. Noncredit	0.52	-	0.52
2. Credit	3.05	-	3.05
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	14,080.38	-	14,080.38
(b) Daily Census Contact Hours	870.97	-	870.97
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	102.12	-	102.12
(b) Credit	313.89	-	313.89
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,672.20	-	1,672.20
(b) Daily Census Procedure Courses	397.50	-	397.50
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<b>18,059.89</b>	<b>-</b>	<b>18,059.89</b>

**Supplemental Information (subset of information above)**

Basic Skills Courses and Immigrant Education

1. Noncredit	11.51	-	11.51
2. Credit	1,805.31	-	1,805.31

**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, 2014**

---

*There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Position**  
**For the Fiscal Year Ended June 30, 2014**

---

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

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

General Fund	\$ 13,050,069	
Special Revenue Funds	511,640	
Capital Projects Funds	89,732,200	
Debt Service Funds	93,311,115	
Internal Service Fund	3,701,307	
Student Financial Aid Fund	<u>1,122,699</u>	\$ 201,429,030

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	\$ 371,300,346	
Accumulated depreciation is	<u>(72,432,890)</u>	298,867,456

Amounts held in trust on behalf of others (Trust and Agency Funds): (3,830,359)

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. (3,867,400)

To reduce cash with fiscal agent for escrow amount due on payoff of defeased bonds. (72,916,712)

Long-term obligations at year-end consist of:

General obligation bonds payable	\$ 304,964,205	
Lease revenue bond payable	1,270,000	
Supplemental employee retirement plan	2,016,015	
Other postemployment benefits	3,452,757	
Compensated absences	<u>3,103,854</u>	(314,806,831)
<b>Total Net Assets</b>		<u>\$ 104,875,184</u>

# GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

## Reconciliation of the ECS 84362 (50 Percent Law) Calculation

For the Fiscal Year Ended June 30, 2014

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	18,211,164	-	18,211,164	18,211,164	-	18,211,164
Other	1300	15,903,817	-	15,903,817	15,930,697	-	15,930,697
Total Instructional Salaries		34,114,981	-	34,114,981	34,141,861	-	34,141,861
Non-Instructional Salaries							
Contract or Regular	1200		-		6,582,320	-	6,582,320
Other	1400		-		828,539	-	828,539
Total Non-Instructional Salaries		-	-	-	7,410,859	-	7,410,859
Total Academic Salaries		34,114,981	-	34,114,981	41,552,720	-	41,552,720
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100		-		15,535,404	-	15,535,404
Other	2300		-		941,581	-	941,581
Total Non-Instructional Salaries		-	-	-	16,476,985	-	16,476,985
Instructional Aides							
Regular Status	2200	1,555,063	-	1,555,063	1,718,724	-	1,718,724
Other	2400	897,970	-	897,970	1,133,860	-	1,133,860
Total Instructional Aides		2,453,033	-	2,453,033	2,852,584	-	2,852,584
Total Classified Salaries		2,453,033	-	2,453,033	19,329,569	-	19,329,569
Employee Benefits	3000	11,287,918	-	11,287,918	20,224,695	-	20,224,695
Supplies and Materials	4000		-		1,783,707	-	1,783,707
Other Operating Expenses	5000		-		10,424,839	-	10,424,839
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		47,855,932	-	47,855,932	93,315,530	-	93,315,530
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	1,198,827	-	1,198,827	1,198,827	-	1,198,827
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	12,712	-	12,712
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,027,674	-	1,027,674
Object to Exclude							
Rents and Leases	5060	-	-	-	304,068	-	304,068
Lottery Expenditures				-			
Academic Salaries	1000	-	-	-	1,599,189	-	1,599,189
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	593,950	-	593,950
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-instructional Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,198,827	-	1,198,827	4,736,420	-	4,736,420
Total for ECS 84362, 50% Law		46,657,105	-	46,657,105	88,579,110	-	88,579,110
Percent of CEE (Instructional Salary Cost/Total CEE)		52.67%	0.00%	52.67%	100.00%	0.00%	100.00%
50% of Current Expense of Education					44,289,555		

See accompanying note to supplementary information.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT****Details of the Education Protection Account****For the Fiscal Year Ended June 30, 2014**

---

EPA Revenue	\$ 12,949,494
-------------	---------------

Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 12,949,494	\$ -	\$ -	\$ 12,949,494
Total		\$ 12,949,494	\$ -	\$ -	\$ 12,949,494

See accompanying note to supplementary information.

## GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

### Note to the Supplementary Information

June 30, 2014

---

#### NOTE 1 – PURPOSE OF SCHEDULES

##### **Schedule of Expenditures of Federal Awards**

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

##### **Schedule of Expenditures of State Awards**

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

##### **Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance**

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

##### **Reconciliation of Annual Financial and Budget Report with Fund Financial Statements**

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

##### **Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Position**

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.

##### **Reconciliation of the ECS 84632 (50 Percent Law) Calculation**

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expended for salaries of classroom instructors.

##### **Details of the Education Protection Account**

This schedule reports the District revenue and expenditure classification of the Proposition 30 Education Protection Account funds.

---

---

## **OTHER INDEPENDENT AUDITORS' REPORTS**

---

---

**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

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Daud

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

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

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grossmont-Cuyamaca Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Grossmont-Cuyamaca Community College District's basic financial statements, and have issued our report thereon dated December 23, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Grossmont-Cuyamaca Community College District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grossmont-Cuyamaca Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grossmont-Cuyamaca Community College District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **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 or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Christy White Associates". The signature is written in a cursive, flowing style.

San Diego, California  
December 23, 2014

**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

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Daud

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

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

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

Independent Auditors' Report

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, 2014. Grossmont-Cuyamaca Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Grossmont-Cuyamaca Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grossmont-Cuyamaca Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Grossmont-Cuyamaca Community College District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Grossmont-Cuyamaca Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of Grossmont-Cuyamaca Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grossmont-Cuyamaca Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 23, 2014

## REPORT ON STATE COMPLIANCE

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Daud

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

### Corporate Office:

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

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

Licensed by the California  
State Board of Accountancy

### Independent Auditors' Report

Board of Trustees

Grossmont-Cuyamaca Community College District

El Cajon, California

### **Report on State Compliance**

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) 2013-14*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2014.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Grossmont-Cuyamaca Community College District's compliance with the requirements referred to above. 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 the *California Community Colleges Contracted District Audit Manual (CDAM) 2013-14*, 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 that could have a direct and material effect on the state programs noted below. 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 on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Grossmont-Cuyamaca Community College District's compliance with those requirements.

### ***Opinion on State Compliance***

In our opinion, Grossmont-Cuyamaca Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

### ***Procedures Performed***

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 Service 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 430 – Scheduled Maintenance Program  
Section 431 - Gann Limit Calculation  
Section 435 - Open Enrollment  
Section 438 - Student Fees – Health Fees and Use of Health Fee Funds  
Section 439 – Proposition 39 Clean Energy  
Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)  
Section 475 - Disabled Student Programs and Services (DSPS)  
Section 479 - To Be Arranged Hours (TBA)  
Section 490 - Proposition 1D State Bond Funded Projects  
Section 491- Proposition 30 Education Protection Account Funds

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2013-14*. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 23, 2014

---

---

## **FINDINGS AND QUESTIONED COSTS SECTION**

---

---

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2014**

---

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</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 of Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 898,799</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

**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 2013-14.*



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

**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 federal award findings or questioned costs were noted during 2013-14.*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs, continued**  
**For the Fiscal Year Ended June 30, 2014**

---

**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 state award findings or questioned costs noted during 2013-14.*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2014**

---

*There were no findings or questioned costs for the District for the 2012-13 fiscal year.*