

**GROSSMONT-CUYAMACA COMMUNITY
COLLEGE DISTRICT**

COUNTY OF SAN DIEGO

AUDIT REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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 activities and the discretely presented component unit of the Grossmont-Cuyamaca Community College District (District) as of and for the year ended June 30, 2018, which comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 the 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.

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State Board of Accountancy*

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

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Grossmont-Cuyamaca Community College District as of June 30, 2018, and the results of its operations, changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 7 to the financial statements, in 2018 Grossmont-Cuyamaca Community College District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Supplementary Information (continued)

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 21, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Grossmont-Cuyamaca Community College District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grossmont-Cuyamaca Community College District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, CA
December 21, 2018

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Grossmont-Cuyamaca Community College District (District) consists of two separately accredited colleges, Cuyamaca and Grossmont, supported by a District Office. Full-Time Equivalent Student (FTES) for 2017-2018 was 17,180.

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, 2018. 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 HIGHLIGHT

- Net position decreased by \$4.2 million or 6% from the prior year. The decrease is primarily attributable to an increase in capital expenditures and the change in deferred outflows and inflows of resources related to GASB Statement No. 75, *Accounting and Financial Reporting Other Post-Employment Benefits*.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 61. 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 DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Statement of Net Position

The Statement of Net Position presents the Assets, Liabilities, and Net Position of the district as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net Position—the difference between assets and liabilities—are one way to measure the financial health of the district. The net asset data allows readers to determine the resources available to continue the operations of the district.

The Net Position of the district consists of three major categories:

1. Invested in capital assets, net of related debt – The district’s equity in property, plant, and equipment.
2. Restricted Net Position (distinguished between major categories of restriction.) – The constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – The district can use them for any lawful purpose. Although unrestricted, the district’s governing board may place internal restrictions on this Net Position, but it retains the power to change, remove, or modify those restrictions.

The Statements of Net Position as of June 30, 2018 and 2017 are summarized below:

	Governmental Activities		
	2018	2017	Net Change
ASSETS			
Current assets	\$ 141,114,144	\$ 133,887,124	\$ 7,227,020
Non-current assets	344,262,118	336,764,807	7,497,311
Total Assets	485,376,262	470,651,931	14,724,331
DEFERRED OUTFLOWS OF RESOURCES	29,821,094	26,148,172	3,672,922
LIABILITIES			
Current liabilities	53,317,051	36,564,283	16,752,768
Non-current liabilities	394,218,386	384,520,148	9,698,238
Total Liabilities	447,535,437	421,084,431	26,451,006
DEFERRED INFLOWS OF RESOURCES	5,612,009	9,442,292	(3,830,283)
NET POSITION			
Net investment in capital assets	135,525,567	131,999,434	3,526,133
Restricted	58,890,390	23,646,116	35,244,274
Unrestricted	(132,366,047)	(89,372,170)	(42,993,877)
Total Net Position	\$ 62,049,910	\$ 66,273,380	\$ (4,223,470)

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Statement of Net Position (continued)

The District's total assets increased by \$14.7 million or 3.1% from the previous year. The increase was based on increases to capital assets and current assets. Total liabilities increased by \$26.4 million or 6.2% from the previous year. Deferred outflows and inflows of resources netted a decrease of \$157,36.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District. The purpose of the statement is to present the revenues received by the district, both operating and non-operating, and the expenses paid by the district, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the district. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total Net Position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues are received for providing goods and services to the various customers and constituencies of the district. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the district.

The Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2018 and 2017 are summarized below:

	Governmental Activities		
	2018	2017	Net Change
Operating activities			
Total operating revenue	\$ 86,356,112	\$ 82,291,147	\$ 4,064,965
Total operating expenses	228,404,797	195,859,101	32,545,696
Deficit before depreciation and nonoperating income and expenses	(142,048,685)	(113,567,954)	(28,480,731)
Depreciation			
Depreciation expense	8,648,724	9,150,784	(502,060)
Deficit before nonoperating income and expense	(150,697,409)	(122,718,738)	(27,978,671)
Nonoperating income and expense			
Nonoperating income and expense, net	149,768,370	144,874,701	4,893,669
Change in Net Position	\$ (929,039)	\$ 22,155,963	\$ (23,085,002)

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

The Statement of Revenues, Expenses, and Changes in Net Position reflect a decrease in the Net Position of \$(929,039) at the end of the year. The cost of operations increased by \$32.5 million, although the statement shows an operating loss of \$142 million.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the district's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the district's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

Changes in Cash Flow

	Governmental Activities		
	2018	2017	Net Change
Net cash provided(used) by:			
Operating activities	\$ (118,295,839)	\$ (113,567,954)	\$ (4,727,885)
Non-capital financing activities	149,603,356	148,083,598	1,519,758
Capital and related financing activities	(27,506,967)	(24,968,852)	(2,538,115)
Investment activities	311,973	349,590	(37,617)
Net increase in cash	4,112,523	9,896,382	(5,783,859)
Cash - beginning of the year	124,177,395	114,281,013	9,896,382
Cash - end of the year	\$ 128,289,918	\$ 124,177,395	\$ 4,112,523

District's 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. These activities are excluded from the District's other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Capital Assets

As of June 30, 2018, the District had approximately \$451 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. 61. These assets have accumulated depreciation of \$106.9 million, leaving a net asset amount of \$344.2 million.

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

	Governmental Activities		
	2018	2017	Net Change
Land	\$ 1,818,942	\$ 1,818,942	\$ -
Construction in progress	35,196,986	26,138,236	9,058,750
Site improvements	71,394,339	71,394,339	-
Buildings	331,881,115	325,628,922	6,252,193
Furniture and equipment	10,920,586	10,085,494	835,092
Accumulated depreciation	(106,949,850)	(98,301,126)	(8,648,724)
Total Capital Assets	\$ 344,262,118	\$ 336,764,807	\$ 7,497,311

Total net capital assets increased by \$7.4 million or 2.2% from the previous year as a result of completed buildings.

Long-term Debt

Note 6 to the financial statements provide additional information on long-term liabilities. A summary of long-term debt as of 2018 and 2017 is presented below:

	Governmental Activities		
	2018	2017	Net Change
Bonds payable	\$ 268,012,276	\$ 280,568,318	\$ (12,556,042)
Compensated absences	2,592,245	2,636,069	(43,824)
Other post-employment benefits	13,073,951	6,850,014	6,223,937
Pension liability	122,919,914	106,073,333	16,846,581
Less: current portion of long-term debt	(12,380,000)	(11,607,586)	(772,414)
Total Long-term Liabilities	\$ 394,218,386	\$ 384,520,148	\$ 9,698,238

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Economic Factors That May Affect the Future

The major economic factors that impact the District and all California Community College Districts' financial condition are directly related to the overall economic, budgetary, and fiscal condition of the State of California and any legislation that impacts the funding of all community colleges in the state. According to an Annual Outlook Report released by the Legislative Analyst's Office (LAO) the state budget is perceived to be better prepared to address an economic downturn than it has ever been in decades.

In addition to state funding uncertainties, a major concern for all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates, which are expected to increase to 19% and 25% respectively based upon employee payroll for each of the pension systems, more than doubling the cost of employer contributions by FY 2020-21 for each community college district in California.

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.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 128,289,918	\$ 124,177,395
Accounts receivable	11,662,033	9,709,729
Prepaid expenses	1,162,193	-
Total Current Assets	<u>141,114,144</u>	<u>133,887,124</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	344,262,118	336,764,807
Total Noncurrent Assets	<u>344,262,118</u>	<u>336,764,807</u>
TOTAL ASSETS	<u>485,376,262</u>	<u>470,651,931</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	29,821,094	26,148,172
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	14,335,629	8,893,596
Accrued interest payable	3,687,415	3,711,415
Unearned revenue	22,914,007	12,351,686
Current Portion - Long-term liabilities	12,380,000	11,607,586
Total Current Liabilities	<u>53,317,051</u>	<u>36,564,283</u>
NONCURRENT LIABILITIES		
Noncurrent portion - Long-term liabilities	394,218,386	384,520,148
TOTAL LIABILITIES	<u>447,535,437</u>	<u>421,084,431</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>5,612,009</u>	<u>9,442,292</u>
NET POSITION		
Net investment in capital assets	135,525,567	131,999,434
Restricted for:		
Debt service	22,221,115	17,490,539
Capital projects	36,669,275	6,155,577
Unrestricted	(132,366,047)	(89,372,170)
TOTAL NET POSITION	<u>\$ 62,049,910</u>	<u>\$ 66,273,380</u>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 29,474,892	\$ 29,471,894
Less: Scholarship discount & allowance	(15,429,395)	(15,276,629)
Net tuition & fees	<u>14,045,497</u>	<u>14,195,265</u>
Grants and Contracts, noncapital:		
Federal	41,884,904	39,051,950
State	29,593,206	28,912,630
Internal Service Sales and Charges	<u>832,505</u>	<u>131,302</u>
Other operating revenues	<u>72,310,615</u>	<u>68,095,882</u>
Subtotal	<u>72,310,615</u>	<u>68,095,882</u>
TOTAL OPERATING REVENUES	<u>86,356,112</u>	<u>82,291,147</u>
OPERATING EXPENSES		
Salaries	83,493,640	82,241,664
Benefits	49,968,140	36,089,292
Supplies, materials, & other operating expenses	94,943,017	77,528,145
Depreciation	<u>8,648,724</u>	<u>9,150,784</u>
TOTAL OPERATING EXPENSES	<u>237,053,521</u>	<u>205,009,885</u>
OPERATING LOSS	<u>(150,697,409)</u>	<u>(122,718,738)</u>
NONOPERATING REVENUES/(EXPENSES)		
State apportionments, non-capital	47,664,580	42,424,556
Local revenue, non-capital	27,236,039	26,909,372
Local property taxes	69,616,419	60,340,702
State taxes & other revenues	5,086,318	11,082,122
Other financing sources/(uses)	9,102,227	10,227,217
Interest expense	<u>(8,937,213)</u>	<u>(8,647,240)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>149,768,370</u>	<u>142,336,729</u>
LOSS BEFORE OTHER REVENUES AND GAINS	(929,039)	19,617,991
OTHER REVENUES AND GAINS/(LOSSES)		
Local revenues, grants and gifts, capital	733,193	1,729,559
State grants and contracts, capital	<u>1,195,110</u>	<u>808,413</u>
TOTAL OTHER REVENUES AND GAINS	<u>1,928,303</u>	<u>2,537,972</u>
CHANGE IN NET POSITION	999,264	22,155,963
BEGINNING NET POSITION	<u>66,273,380</u>	<u>44,117,417</u>
ADJUSTMENT FOR RESTATEMENT	(5,222,734)	-
NET POSITION AS RESTATED	<u>61,050,646</u>	<u>44,117,417</u>
ENDING NET POSITION	<u>\$ 62,049,910</u>	<u>\$ 66,273,380</u>

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

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 14,045,497	\$ 14,195,265
Grants and contracts	71,478,110	67,964,580
Payments to or on behalf of employees	(70,598,420)	(80,714,597)
Payments to vendors for supplies and services	(94,943,017)	(77,528,145)
Payments to students for scholarships and grants	(39,110,514)	(37,616,359)
Internal service sales and charges	832,505	131,302
Net Cash Flows From Operating Activities	<u>(118,295,839)</u>	<u>(113,567,954)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments	47,664,580	42,424,556
Property taxes	69,616,419	60,340,702
State taxes and other revenue	32,322,357	45,318,340
Net Cash Flows From Non-capital Financing Activities	<u>149,603,356</u>	<u>148,083,598</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State apportionments for capital purposes	1,195,110	808,413
Acquisition and construction of capital assets	(16,146,035)	(24,372,162)
Proceeds from issuance of capital debt	-	13,077,757
Principal and interest paid on capital debt	(12,556,042)	(14,482,860)
Net Cash Flows From Capital Financing Activities	<u>(27,506,967)</u>	<u>(24,968,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	311,973	349,590
Net Cash Flows From Investing Activities	<u>311,973</u>	<u>349,590</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,112,523	9,896,382
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>124,177,395</u>	<u>114,281,013</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 128,289,918</u>	<u>\$ 124,177,395</u>

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

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS *continued*
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>2018</u>	<u>2017</u>
Operating Loss	\$ (150,697,409)	\$ (122,718,738)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	8,648,724	9,150,784
Changes in Assets and Liabilities:		
Receivables, net	(1,952,304)	(2,410,131)
Inventory and prepaid expenditures	(1,162,193)	1,661,160
Accounts payable and accrued liabilities	20,425,722	2,122,600
Deferred revenue	(10,562,321)	(3,206,121)
Pension liability	16,846,581	18,538,372
Deferred inflows/outflows	157,361	(16,705,880)
Total Adjustments	<u>32,401,570</u>	<u>9,150,784</u>
Net Cash Flows From Operating Activities	<u>\$ (118,295,839)</u>	<u>\$ (113,567,954)</u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING

Cash in banks	\$ 24,169,503	\$ 10,876,190
Cash with fiscal agent	8,387,138	5,517,758
Cash in county treasury	95,733,277	107,783,447
	<u>\$ 128,289,918</u>	<u>\$ 124,177,395</u>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

2018	Agency			
	Grossmont Student Trust Organization	Associated Students Grossmont College	Associated Students Cuyamaca College	Student Representation Fee
ASSETS				
Cash and cash equivalents	\$ 82,681	\$ 347,969	\$ 98,190	\$ 311,877
Accounts receivable	-	6,199	-	-
Inventory	-	1,858	-	-
Total Assets	82,681	356,026	98,190	311,877
LIABILITIES				
Accounts payable	-	1,941	2,039	-
Due to other funds	-	-	11,072	-
Total Liabilities	\$ -	\$ 1,941	\$ 13,111	\$ -
NET POSITION				
Restricted	82,681	354,085	85,079	311,877
Total Liabilities and Net Position	\$ 82,681	\$ 356,026	\$ 98,190	\$ 311,877

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

2018	Trust Funds				
	Scholarship and Loan Trust Fund	Student Financial Aid Trust Fund	District Trust Fund	Student Center Trust Fund	Total 2018
ASSETS					
Cash and cash equivalents	\$ 442,364	\$ 953,660	\$ 777,057	\$ 50,075	\$ 3,063,873
Accounts receivable	339	581,816	3,253	106	591,713
	-	-	-	-	1,858
Total Assets	<u>442,703</u>	<u>1,535,476</u>	<u>780,310</u>	<u>50,181</u>	<u>3,657,444</u>
LIABILITIES					
Accounts payable	-	296,711	31,033	2,450	-
Due to other funds	-	659,584	3,849	-	674,505
Total Liabilities	<u>-</u>	<u>956,295</u>	<u>34,882</u>	<u>2,450</u>	<u>1,008,679</u>
NET ASSETS					
Restricted	442,703	579,181	745,428	47,731	2,648,765
Total Liabilities and Net Position	<u>\$ 442,703</u>	<u>\$ 1,535,476</u>	<u>\$ 780,310</u>	<u>\$ 50,181</u>	<u>\$ 3,657,444</u>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

2017	Agency			
	Grossmont Student Trust Organization	Associated Students Grossmont College	Associated Students Cuyamaca College	Student Representation Fee
ASSETS				
Cash and cash equivalents	\$ 76,671	\$ 331,351	\$ 98,689	\$ 316,359
Investments	-	-	712	-
Accounts receivable	160	8,131	-	-
Due from other funds	-	1,816	-	-
Total Assets	76,831	341,298	99,401	316,359
LIABILITIES				
Accounts payable	-	962	6,217	3,476
Due to other funds	-	-	-	7,412
Total Liabilities	\$ -	\$ 962	\$ 6,217	\$ 10,888
NET POSITION				
Restricted	76,831	340,336	93,184	305,471
Total Liabilities and Net Position	\$ 76,831	\$ 341,298	\$ 99,401	\$ 316,359

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

2017	Trust Funds				
	Scholarship and Loan Trust Fund	Student Financial Aid Trust Fund	District Trust Fund	Student Center Trust Fund	Total 2017
ASSETS					
Cash and cash equivalents	\$ 450,046	\$ 1,060,852	\$ 757,302	\$ 106,648	\$ 3,197,918
Investments	-	-	-	-	712
Accounts receivable	416	692,107	-	195	701,009
Due from other funds	-	-	10,812	39,563	52,191
Total Assets	450,462	1,752,959	768,114	146,406	3,951,830
LIABILITIES					
Accounts payable	-	394,365	30,081	-	435,101
Due to other funds	-	690,660	44,019	-	742,091
Total Liabilities	-	1,085,025	74,100	-	1,177,192
NET ASSETS					
Restricted	450,462	667,934	694,014	146,406	2,774,638
Total Liabilities and Net Position	\$ 450,462	\$ 1,752,959	\$ 768,114	\$ 146,406	\$ 3,951,830

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

2018	Trust Funds				
	Scholarship and Loan Trust Fund	Student Financial Aid Trust Fund	District Trust	Student Center Trust Fund	Total 2018
ADDITIONS					
Operating revenues	\$ 372,279	\$ 38,627,095	\$ 284,666	\$ 77,048	\$ 39,361,088
Other financing sources	22,850	219,941	270,687	-	513,478
Total Additions	395,129	38,847,036	555,353	77,048	39,874,566
DEDUCTIONS					
Operating expenses	-	-	273,600	5,723	279,323
Other outgo	402,888	39,110,514	230,339	170,000	39,913,741
Total Deductions	402,888	39,110,514	503,939	175,723	40,193,064
Change in Net Position	(7,759)	(263,478)	51,414	(98,675)	(318,498)
Net Position - Beginning	450,462	667,933	694,014	146,406	1,958,815
Prior Years Adjustments	-	174,726	-	-	174,726
Adjusted Beginning Balance	-	842,659	-	-	842,659
Net Position - Ending	\$ 442,703	\$ 579,181	\$ 745,428	\$ 47,731	\$ 1,815,043

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION — FIDUCIARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

2017	Trust Funds				
	Scholarship and Loan Trust Fund	Student Financial Aid Trust Fund	District Trust	Student Center Trust Fund	Total 2017
ADDITIONS					
Operating revenues	\$ 257,434	\$ 37,723,991	\$ 236,711	\$ 75,506	\$ 38,293,642
Other financing sources	660	228,779	243,670	-	473,109
Total Additions	258,094	37,952,770	480,381	75,506	38,766,751
DEDUCTIONS					
Operating expenses	-	-	171,277	20,404	191,681
Other outgo	268,578	37,616,359	245,921	-	38,130,858
Total Deductions	268,578	37,616,359	417,198	20,404	38,322,539
Change in Net Position	(10,484)	336,411	63,183	55,102	444,212
Net Position - Beginning	460,946	331,522	630,831	91,304	1,514,603
Net Position - Ending	\$ 450,462	\$ 667,933	\$ 694,014	\$ 146,406	\$ 1,958,815

The notes to the 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 – STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	\$ 4,383,028	\$ 6,783,227
Due from related entities	2,329,268	1,956,404
Total current assets	<u>6,712,296</u>	<u>8,739,631</u>
Capital assets		
Equipment	5,352	5,352
Less accumulated depreciation	<u>(1,080)</u>	<u>(10)</u>
Total capital assets, net	<u>4,272</u>	<u>5,342</u>
Total Assets	<u><u>6,716,568</u></u>	<u><u>\$ 8,744,973</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	146,622	12,713
Accrued payroll liabilities	518,868	172,993
Due to related entities	1,183,748	1,266,870
Compensated absences	165,702	213,600
Total liabilities	<u>2,014,940</u>	<u>1,666,176</u>
Net assets		
Unrestricted	160,141	145,393
Temporarily restricted	<u>4,541,487</u>	<u>6,933,405</u>
Total net assets	<u>4,701,628</u>	<u>7,078,797</u>
Total Liabilities and Net Assets	<u><u>\$ 6,716,568</u></u>	<u><u>\$ 8,744,973</u></u>

The notes to the 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 – STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND PUBLIC SUPPORT				
Categorical allowances	\$ -	\$ 16,473,074	\$ 16,473,074	\$ 21,190,807
Contributions			-	3,650
Contract education and services	-	118,297	118,297	169,264
Interest income	-	69,069	69,069	-
Other local revenues	361,843	81,285	443,128	877,138
Total revenues and public support	361,843	16,741,725	17,103,568	22,240,859
Net assets released from restrictions	19,133,643	(19,133,643)	-	-
Total Revenues and Public Support, net	19,495,486	(2,391,918)	17,103,568	22,240,859
OPERATING EXPENSES				
Program services	19,133,643	-	19,133,643	16,311,996
Supporting services	347,094	-	347,094	239,718
Total Operating Expenses	19,480,737	-	19,480,737	16,551,714
CHANGE IN NET ASSETS	14,749	(2,391,918)	(2,377,169)	5,689,145
Net Assets - Beginning	145,392	6,933,405	7,078,797	1,389,652
Net Assets - Ending	\$ 160,141	\$ 4,541,487	\$ 4,701,628	\$ 7,078,797

The notes to the 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 – STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2018</u>	<u>2017</u>
Change in net assets	\$ (2,377,169)	\$ 5,689,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net change in capital assets	-	352
Depreciation	1,070	(5,694)
(Increase) decrease in operating assets:		
Accounts receivable	-	-
Due from related entities	(372,864)	(367,128)
Increase (decrease) in operating liabilities:		
Accounts payable	133,909	(114,898)
Accrued payroll payable	345,875	53,702
Compensated absences	(47,898)	152,215
Due to related entities	(83,122)	122,315
Net cash provided by (used in) operating activities	<u>(2,400,199)</u>	<u>5,530,009</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,400,199)	5,530,009
CASH AND CASH EQUIVALENTS - BEGINNING	<u>6,783,227</u>	<u>1,253,218</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 4,383,028</u>	<u>\$ 6,783,227</u>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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. 61, *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. 61 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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

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 and the Foundation may be obtained through the District.

Joint Powers Agencies and Public Entity Risk Pools

The District is associated with a joint power agency (JPA). This organization does not meet the criteria for inclusion as component units of the District. The JPA is the Alliance of Schools for Cooperative Insurance Programs (ASCIP).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

GASB released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" in June 1999, which released Statement No. 35, "Basis Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. Grossmont-Cuyamaca Community College District (District) adopted and applied these new standards beginning in 2001-02 as required. In May 2002, the GASB released Statement No. 39, "Determining Whether Certain Organizations Are Component Units," which amends GASB Statement 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. In 2010 GASB 61 was enacted to amend GASB 14, 34 and 35. The district adopted and applied this standard for the 2017- 2018 fiscal year as required.

The District now follows the financial statement presentation required by GASB Statements No. 39 and 61. This presentation provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All material intra-agency transactions have been eliminated.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. It has also elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the county treasurer's investment pool are considered cash equivalents.

D. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts and amounts.

E. Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, many residing in the State of California. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District does not record an allowance for uncollectible accounts. When receivables are determined to be uncollectible, a direct write-off is recorded.

F. Inventories

Inventories, primarily bookstore merchandise, are carried at the lower cost of market using the first-in, first-out ("FIFO") method.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged as operating expense in the year in which the expense was incurred.

Depreciation of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for most equipment and vehicles, and 3 years for technology equipment such as computers.

H. Net Position

The District's Net Position is classified as follows:

- *Invested in capital assets, net of related debt* – This represents the District's total investment in capital assets, net of associated outstanding debt obligations. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- *Restricted net position – expendable* – Restricted expendable net position include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Restricted net position – nonexpendable* – Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net position* – Unrestricted net position represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. Although the governing board may designate these funds for special purposes, the funds remain unrestricted.

When an expense is incurred that can be paid using either restricted or unrestricted funds, the District's policy is to utilize available restricted resources, followed by unrestricted resources.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. State Apportionments

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

J. On-Behalf Payments

GASB Statement 24 requires that direct on-behalf payments for firing benefits and salaries made by one entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement System on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructs districts not to record revenue and expenditures for these on-behalf payments.

K. Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

L. Operating Revenues

Operating revenues include all revenues from programmatic sources. Non-operating revenues include state apportionments, state and local tax revenues, investment income and gifts.

M. Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 61, including state appropriations, local property taxes and investment income. Revenues are classified per the following criteria:

- Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local contracts and federal appropriations, and (4) interest on institutional student loans.
- Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, most federal, state and local grants, and other revenue sources described in GASB Statement No. 61, such as state appropriations and investment income.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Investments

In accordance with GASB Statement 72, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are reported at fair value. However, cash in the county treasury and some investments are recorded at cost, which approximates fair value.

O. Restricted Cash and Cash Equivalents

Cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other non-current assets is classified as a non-current asset in the statement of Net Position.

P. Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District also participates in and accrues “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

Q. Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students’ behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the district’s financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	15%	5%
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	35%
Banker's Acceptance	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	40%	10%
Medium-Term Corporate Notes	5 years	30%	5%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	15%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
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 THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018, consist of the following:

Governmental Funds:

Cash on hand and in banks	\$	46,298,649
Cash in fiscal agent		8,387,138
Cash in San Diego County Investment		73,604,131
Total Cash and Investment	\$	<u>128,289,918</u>

Fiduciary Funds:

Cash on hand and in banks	\$	3,063,873
Total Cash and Investment	\$	<u>3,063,873</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:

<u>Investment or Deposit Type</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>
San Diego County Investment Pool	\$ 73,128,177	345

*Weighted average days to maturity

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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, 2018, the District's bank balance of \$9,915,338 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.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2018:

	2018	
	Primary Government	Fiduciary Funds
Federal	\$ 3,859,857	\$ 591,713
State	3,081,892	-
Local	4,720,284	6,199
Total	<u>\$ 11,662,033</u>	<u>\$ 597,912</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is summarized below:

	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,818,942	\$ -	\$ -	1,818,942
Construction in Progress	26,138,236	14,988,196	5,929,446	35,196,986
Total capital assets not being depreciated	27,957,178	14,988,196	5,929,446	37,015,928
Capital assets being depreciated				
Land improvements	71,394,339	-	-	71,394,339
Buildings & improvements	325,628,922	6,252,193	-	331,881,115
Furniture & equipment	10,085,494	835,092	-	10,920,586
Total capital assets being depreciated	407,108,755	7,087,285	-	414,196,040
Less accumulated depreciation				
Land improvements	23,816,452	1,516,986	-	25,333,438
Buildings & improvements	66,243,508	6,918,114	-	73,161,622
Furniture & equipment	8,241,166	213,624	-	8,454,790
Total accumulated depreciation	98,301,126	8,648,724	-	106,949,850
Total Governmental Activities Capital Assets, net	\$ 336,764,807	\$ 13,426,757	\$ 5,929,446	\$ 344,262,118

Capital asset activity for the year ended June 30, 2017, is summarized below:

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,818,942	\$ -	\$ -	\$ 1,818,942
Construction in Progress	16,780,336	24,415,966	15,058,066	26,138,236
Total capital assets not being depreciated	18,599,278	24,415,966	15,058,066	27,957,178
Capital assets being depreciated				
Land improvements	71,394,339	-	-	71,394,339
Buildings & improvements	310,570,856	15,058,066	-	325,628,922
Furniture & equipment	10,129,298	300,932	344,736	10,085,494
Total capital assets being depreciated	392,094,493	15,358,998	344,736	407,108,755
Less accumulated depreciation				
Land improvements	21,262,666	2,553,786	-	23,816,452
Buildings & improvements	60,017,207	6,226,301	-	66,243,508
Furniture & equipment	7,870,469	683,143	312,446	8,241,166
Total accumulated depreciation	89,150,342	9,463,230	312,446	98,301,126
Total Governmental Activities Capital Assets, net	\$ 321,543,429	\$ 30,311,734	\$ 15,090,356	\$ 336,764,807

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM LIABILITIES

Summary

The changes in the District’s long-term obligations for the 2018 fiscal year consisted of the following:

	Balance June 30, 2017	Restatement	Restated June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due In One Year
Bonds							
General obligation bonds, Series 2005B	\$ 3,100,000	\$ -	\$ 3,100,000	\$ -	\$ 3,100,000	\$ -	\$ -
General obligation bonds, Series 2008C	83,104,138	-	83,104,138	-	-	83,104,138	-
General obligation bonds, Series 2008 Refunding	104,845,000	-	104,845,000	-	6,350,000	98,495,000	10,540,000
General obligation bonds, Series 2013 Refunding	4,410,000	-	4,410,000	-	340,000	4,070,000	345,000
General obligation bonds, Series 2013A	68,350,000	-	68,350,000	-	1,255,000	67,095,000	1,305,000
Lease revenue bond, Series 2001A	790,000	-	790,000	-	180,000	610,000	190,000
Total Bonds	264,599,138	-	264,599,138	-	11,225,000	253,374,138	12,380,000
Notes Payable							
Unamortized premium	15,969,180	-	15,969,180	-	1,331,042	14,638,138	-
Total Notes Payable	15,969,180	-	15,969,180	-	1,331,042	14,638,138	-
Other Liabilities							
Compensated absences	2,636,069	-	2,636,069	-	43,824	2,592,245	-
Other postemployment benefits	6,850,014	5,393,423	12,243,437	830,514	-	13,073,951	-
Pension Liability	106,073,333	-	106,073,333	16,846,581	-	122,919,914	-
Total Other Liabilities	115,559,416	5,393,423	120,952,839	17,677,095	43,824	138,586,110	-
Total Long-Term Obligations	\$ 396,127,734	\$ 5,393,423	\$ 120,952,839	\$ 17,677,095	\$ 12,599,866	\$ 406,598,386	\$ 12,380,000

The changes in the District’s long-term obligations for the 2017 year consisted of the following:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due In One Year
Bonds					
General obligation bonds, Series 2005B	\$ 5,644,104	\$ 75,896	\$ 2,620,000	\$ 3,100,000	\$ 1,849,987
General obligation bonds, Series 2008C	70,102,277	13,001,861	-	83,104,138	-
General obligation bonds, Series 2008 Refunding	111,780,261	-	6,935,261	104,845,000	6,350,000
General obligation bonds, Series 2013 Refunding	4,745,000	-	335,000	4,410,000	340,000
General obligation bonds, Series 2013A	71,140,000	-	2,790,000	68,350,000	1,255,000
Lease revenue bond, Series 2001A	960,000	-	170,000	790,000	180,000
Total Bonds	264,371,642	13,077,757	12,850,261	264,599,138	9,974,987
Notes Payable					
Unamortized premium	17,601,779	-	1,632,599	15,969,180	1,632,599
Total Notes Payable	17,601,779	-	1,632,599	15,969,180	1,632,599
Other Liabilities					
Compensated absences	2,467,031	169,038	-	2,636,069	-
Other postemployment benefits	5,027,071	1,822,943	-	6,850,014	-
Supplemental employee retirement plan	672,007	-	672,007	-	-
Pension Liability	87,534,961	18,538,372	-	106,073,333	-
Total Other Liabilities	95,701,070	20,530,353	672,007	115,559,416	-
Total Long-Term Obligations	\$ 377,674,491	\$ 33,608,110	\$ 15,154,867	\$ 396,127,734	\$ 11,607,586

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM LIABILITIES (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, retiree health benefits 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, 2018, \$610,000 was outstanding. The lease revenue bonds mature through 2021 with interest rates ranging from 4.0 percent to 5.8 percent.

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

The outstanding general obligations bonded debt as of June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due In One Year
Bonds and Notes Payable					
General obligation bonds, Series 2005B	\$ 3,100,000	\$ -	\$ 3,100,000	\$ -	\$ -
General obligation bonds, Series 2008C	83,104,138	-	-	83,104,138	-
General obligation bonds, Series 2008 Refunding	104,845,000	-	6,350,000	98,495,000	10,540,000
General obligation bonds, Series 2013 Refunding	4,410,000	-	340,000	4,070,000	345,000
General obligation bonds, Series 2013A	68,350,000	-	1,255,000	67,095,000	1,305,000
Lease revenue bond, Series 2001A	790,000	-	180,000	610,000	190,000
Total General Obligation Bonds	<u>\$ 264,599,138</u>	<u>\$ -</u>	<u>\$ 11,225,000</u>	<u>\$ 253,374,138</u>	<u>\$ 12,380,000</u>

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 \$99,999,923. 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, 2018, with interest yields ranging from 3.10 percent to 4.31 percent.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM LIABILITIES (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.

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.

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bonded Debt (continued)

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

The general obligation bonds, Series 2008C, mature through 2032 as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	12,610,751	26,419,249	39,030,000
2029-2033	39,389,626	72,430,392	111,820,018
Accretion	31,103,761	(31,103,761)	-
	<u>\$ 83,104,138</u>	<u>\$ 67,745,880</u>	<u>\$ 150,850,018</u>

The general obligation bonds, Series 2008 Refunding, mature through 2027 as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 10,540,000	\$ 4,924,750	\$ 15,464,750
2020	11,860,000	4,397,750	16,257,750
2021	13,280,000	3,804,750	17,084,750
2022	14,825,000	3,140,750	17,965,750
2023	16,480,000	2,399,500	18,879,500
2024-2028	31,510,000	2,237,500	33,747,500
	<u>\$ 98,495,000</u>	<u>\$ 20,905,000</u>	<u>\$ 119,400,000</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bonded Debt (continued)

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

The general obligation bonds, Series 2013, mature through 2028 as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 345,000	\$ 139,763	\$ 484,763
2020	360,000	129,188	489,188
2021	375,000	118,163	493,163
2022	380,000	104,938	484,938
2023	395,000	90,425	485,425
2024-2028	2,215,000	227,169	2,442,169
Total	\$ 4,070,000	\$ 809,644	\$ 4,879,644

The general obligation bonds, Series 2013 Refunding, mature through 2032 as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 1,305,000	\$ 3,447,738	\$ 4,752,738
2020	1,355,000	3,387,763	4,742,763
2021	1,420,000	3,318,388	4,738,388
2022	1,495,000	3,245,513	4,740,513
2023	1,570,000	3,168,888	4,738,888
2024-2028	9,095,000	14,553,063	23,648,063
2029-2033	11,695,000	11,877,469	23,572,469
2034-2038	15,110,000	8,377,425	23,487,425
2039-2043	19,510,000	3,975,825	23,485,825
2044-2048	4,540,000	119,175	4,659,175
Total	\$ 67,095,000	\$ 55,471,246	\$ 122,566,246

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bonded Debt (continued)

Leased Revenue Bonds

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

Fiscal Year	Principal	Interest	Total
2019	\$ 190,000	\$ 39,500	\$ 229,500
2020	195,000	30,500	225,500
2021	225,000	-	225,000
Total	\$ 610,000	\$ 70,000	\$ 680,000

Compensated Absences

The District’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$2,592,245.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District provides postemployment health care benefits in accordance with District employment contracts to all employees and their eligible dependents who return 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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

	<u>Faculty</u>	<u>Classified</u>	<u>Certificated Management</u>	<u>Classified Management</u>
Applies to	All	All	All	All
Benefit types provided	Medical and dental	Medical and dental	Medical and dental	Medical and dental
Duration of Benefits	To age 65	To age 65	To age 65	To age 65
Required Service	10 years	10 years	10 years	10 years
Minimum Age	55	50	50	50
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution %	100%	100%	100%	100%
Cap	None	None	None	None

Plan Membership

Membership of the Plan consisted of the following:

Inactive employees receiving benefits	<u>72</u>
Participating active employees	<u>694</u>
Total number of participants**	<u>766</u>

B. Total OPEB Liability

The Grossmont-Cuyamaca Community College District’s total OPEB liability of \$13,073,437 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

C. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:	
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	5.80%
Healthcare cost trend rates	4.00%

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

H. Actuarial Assumptions and Other Inputs (continued)

Non-economic assumptions:

Mortality:

Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table

Retirement rates:

Certificated	2009 CalSTRS Retirement Rates Table
Classified	2009 CalPERS Retirement Rates for School Employees Table

Vesting rates:

Certificated	100% at 10 years of service
Classified	100% at 10 years of service
Management	100% at 10 years of service

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

I. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 1,412,067
Interest on total OPEB liability	1,002,616
Benefits payments	<u>(1,287,136)</u>
Net change in total OPEB liability	1,127,547
Total OPEB liability - beginning	<u>17,243,437</u>
Total OPEB liability - ending (a)	<u>\$ 18,370,984</u>
 Plan fiduciary net position	
Contributions - employer	\$ 1,287,136
Net investment income	309,802
Benefit payments	(1,287,136)
Administrative expenses	<u>(12,769)</u>
Net change in plan fiduciary net position	297,033
Plan fiduciary net position - beginning	<u>5,000,000</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,297,033</u>
 District's net OPEB liability - ending (a) - (b)	 <u>\$ 13,073,951</u>

The Grossmont-Cuyamaca Community College District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a “roll-back” technique has been used.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

J. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Grossmont-Cuyamaca Community College District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.8 percent) or one percentage point higher (6.8 percent) than the current discount rate:

	Valuation		
	1% Decrease	Discount Rate	1% Increase
	(4.8%)	(5.8%)	(6.8%)
Net OPEB liability (asset)	\$ 14,170,202	\$ 13,073,951	\$ 12,077,204

K. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Grossmont-Cuyamaca Community College District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	Valuation Trend		
	1% Decrease	Rate	1% Increase
	(3.0%)	(4.0%)	(5.0%)
Net OPEB liability (asset)	\$ 12,187,206	\$ 13,073,951	\$ 13,962,206

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Grossmont-Cuyamaca Community College District recognized OPEB expense of \$1,287,136. At June 30, 2018, the Grossmont-Cuyamaca Community College District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ -
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	1,287,136	-
	<u>\$ 1,287,136</u>	<u>\$ -</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (continued)

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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, 2018, the District contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authority (JPA) 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 2017-18, 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.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8 – RISK MANAGEMENT(continued)

Funded Status and Funding Progress – OPEB Plans (continued)

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.

NOTE 9 – PENSION PLANS

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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 75,403,816	\$ 17,279,521	\$ 5,520,786	\$ 7,918,312
PERS Pension	47,516,098	11,254,437	91,223	6,612,199
Total	\$ 122,919,914	\$ 28,533,958	\$ 5,612,009	\$ 14,530,511

A. California State Teachers’ Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$6,611,819 for the year ended June 30, 2018.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for education. These payments consist of state general fund contributions of approximately \$2,683,227 to CalSTRS.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	75,403,816
States's proportionate share of the net pension liability associated with the District		44,608,623
Total	\$	<u>120,012,439</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District’s proportion was 0.082% percent, which was a decrease of -.00084% percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$7,918,312. In addition, the District recognized pension expense and revenue of \$1,282,112 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,008,214
Differences between expected and actual experience	278,851	1,315,164
Changes in assumptions	13,969,437	
Changes in proportion and differences between District contributions and proportionate share of contributions	3,031,233	2,197,408
District contributions subsequent to the measurement date	6,611,819	-
	<u>\$ 23,891,340</u>	<u>\$ 5,520,786</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (continued)**

The \$6,611,819 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 3,132,524	\$ 2,392,711
2020	3,132,524	(541,886)
2021	3,132,524	541,351
2022	3,132,521	2,508,900
2023	2,374,715	568,199
2024	2,374,713	51,511
	<u>\$ 17,279,521</u>	<u>\$ 5,520,786</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

Discount rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 111,347,800	\$ 75,403,816	\$ 47,011,420

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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, CA 95811.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (CONTINUED)

California Public Employees’ Retirement System (CalPERS)

Benefits Provided

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 13.888% of annual payroll. Contributions to the plan from the District were \$3,537,565 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of \$47,516,098 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District’s proportion was 0.199 percent, which was a decrease of 0.00068 percent from its proportion measured as of June 30, 2016.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (continued)**

For the year ended June 30, 2018, the District recognized pension expense of \$6,612,199. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,643,732	\$ -
Differences between expected and actual experience	1,702,306	-
Changes in assumptions	6,940,474	559,443
Changes in proportion and differences between District contributions and proportionate share of contributions	967,925	(468,220)
District contributions subsequent to the measurement date	4,067,635	-
	<u>\$ 15,322,072</u>	<u>\$ 91,223</u>

The \$34,067,635 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 3,591,940	\$ 1,269,228
2020	4,992,199	(1,178,005)
2021	3,570,405	-
2022	(900,107)	-
	<u>\$ 11,254,437</u>	<u>\$ 91,223</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	<u>100.0%</u>		

Discount rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 69,897,362	\$ 47,516,098	\$ 28,931,501

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018.

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, 2018.

Construction Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for bond and capital outlay projects totaling \$53,341,908

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, 2018, categorical allowances paid to the Auxiliary totaled \$16,473,074.

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, 2018, the Foundation for Grossmont and Cuyamaca Colleges provided \$100,000 in scholarships and other aid to the students of Grossmont and Cuyamaca Colleges.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 12 – FUNCTIONAL EXPENSES

	Instructional Salaries and Benefits	Non-Instructional Salaries and Benefits	Operating Expenses	Depreciation	Financial Aid	Total
Instructional Activities	\$ 95,118,087	\$ 5,286,951	\$ 4,607,784	\$ -	\$ -	\$ 105,012,822
Instructional Admin. & Governance	-	3,324,632	1,885,170	-	-	5,209,802
Instructional Support Services	84,778	4,753,560	306,797	-	-	5,145,135
Admissions and Records	-	2,079,372	60,953	-	-	2,140,325
Student Counseling and Guidance	-	7,076,466	274,757	-	-	7,351,223
Student Services	-	12,765,859	10,810,807	-	-	23,576,666
Operation and Maintenance of Plant	-	5,170,821	4,366,930	-	-	9,537,751
Planning, Policy Making and Coordination	-	3,056,334	3,034,672	-	-	6,091,006
Institutional Support Services	-	14,717,709	7,193,401	-	-	21,911,110
Ancillary Services and Auxiliary Operations	-	2,672,121	638,421	-	-	3,310,542
Auxiliary Operations	-	-	7,901	-	-	7,901
Transfers, Student Aid and Other Outgo	-	-	-	-	39,110,514	39,110,514
Depreciation Expense	-	-	-	8,648,724	-	8,648,724
Total	\$ 95,202,865	\$ 60,903,825	\$ 33,187,593	\$ 8,648,724	\$ 39,110,514	\$ 237,053,521

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events for the period from June 30, 2018 through the date of this report. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2018, total deferred outflows related to pensions was \$28,533,958 and total deferred inflows related to pensions was \$5,612,009.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 7. At June 30, 2018, total deferred outflows related to other postemployment benefits was \$1,287,136 and there were no deferred inflows related to other postemployment benefit.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 15 – RESTATEMENT

The beginning net position of Governmental Activities has been restated in order to record the District’s total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows. In addition, the Financial Aid Trust Fund was restated.

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 66,273,380
Restatement for GASB 75	(5,393,423)
Restatement for Financial Aid Fund	170,689
Net Position - Beginning, as Restated	<u>\$ 61,050,646</u>

REQUIRED SUPPLEMENTARY INFORMATION

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 1,412,067
Interest on total OPEB liability	1,002,616
Benefits payments	<u>(1,287,136)</u>
Net change in total OPEB liability	1,127,547
Total OPEB liability - beginning	<u>17,243,437</u>
Total OPEB liability - ending (a)	<u>\$ 18,370,984</u>
 Plan fiduciary net position	
Contributions - employer	\$ 1,287,136
Net investment income	309,802
Benefit payments	<u>(1,287,136)</u>
Administrative expenses	<u>(12,769)</u>
Net change in plan fiduciary net position	297,033
Plan fiduciary net position - beginning	<u>5,000,000</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,297,033</u>
 District's net OPEB liability - ending (a) - (b)	 <u>\$ 13,073,951</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 28.8%
 Covered payroll	 \$ 72,010,380
 District's net OPEB liability (asset) as a percentage of covered payroll	 18%

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE FOR THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY – STRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.082%	0.082%	0.086%	0.083%
District's proportionate share of the net pension liability	\$ 75,403,816	\$ 66,629,046	\$ 57,953,356	\$ 48,502,710
States's proportionate share of the net pension liability associated with the District	44,608,623	37,936,313	30,650,854	29,648,519
Total	<u>\$ 120,012,439</u>	<u>\$ 104,565,359</u>	<u>\$ 88,604,210</u>	<u>\$ 78,151,229</u>
District's covered payroll	\$ 45,436,293	\$ 41,800,976	\$ 39,959,032	\$ 37,139,745
District's proportionate share of the net pension liability as a percentage of its covered payroll	166.0%	159.4%	145.0%	130.6%
Plan fiduciary net position as a percentage of the total pension liability.	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY—PERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.199%	0.200%	0.0201%	0.0204%
District's proportionate share of the net pension liability	\$ 47,516,098	\$ 39,444,287	\$ 29,581,605	\$ 31,435,317
District's covered payroll	\$ 25,295,960	\$ 24,031,545	\$ 22,440,294	\$ 21,367,147
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.8%	164.1%	131.8%	147.1%
Plan fiduciary net position as a percentage of the total pension liability.	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS— STRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,611,819	\$ 5,707,621	\$ 4,485,245	\$ 6,593,102
Contributions in relation to the contractually required contribution*	(6,611,819)	(5,707,621)	(4,485,245)	(6,593,102)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,819,953	\$ 45,436,293	\$ 41,800,976	\$ 39,959,032
Contributions as a percentage of covered payroll	14.43%	12.56%	10.73%	16.50%

*Amounts do not include on behalf contributions

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS—PERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,067,635	\$ 3,537,565	\$ 2,847,017	\$ 2,641,447
Contributions in relation to the contractually required contribution	(4,067,635)	(3,537,565)	(2,847,017)	(2,641,447)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 26,190,427	\$ 25,295,960	\$ 24,031,545	\$ 22,440,294
Contributions as a percentage of covered payroll	15.53%	13.98%	11.85%	11.77%

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF THE SCHEDULE

A. Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

B. Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

C. Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employer payroll.

SUPPLEMENTARY INFORMATION

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2018**

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 students 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 a government. There have been no changes in the District’s boundaries during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Bill Garrett	President	December 2020
Debbie Justeson	Vice President	December 2022
Elena Adams	Clerk	December 2020
Brad Monroe	Trustee	December 2022
Linda Cartwright	Trustee	December 2022

DISTRICT ADMINISTRATORS

Cindy L. Miles, Ph.D.
Chancellor

Nabil Abu-Ghazaleh, Ed.D.
President, Grossmont College

Julianna Barnes, Ed.D.
President, Cuyamaca College

Sue Rearic
Vice Chancellor - Business Services

Tim Corcoran
Vice Chancellor - Human Resources

Sean Hancock
Vice Chancellor - Student and Institutional Success

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures	District Auxiliary Passthrough
U.S. DEPARTMENT OF EDUCATION				
Student Financial Aid:				
Federal Supplemental Education Opportunity	84.007	P007A175284	\$714,389	-
Direct Loans	84.268	P268K141140	\$2,155,214	-
Federal Work Study	84.033	P033A150399	\$403,115	-
Federal Pell Grant	84.063	P063P111140	\$32,202,022	-
Title III STEM Guided Pathway	84.031C	P031C160231	1,338,409	111,228
Title V - Hispanic Serving Institutions Program	84.031S	P031S160149	1,008,037	499,861
Workforce Investment Act Title II	84.002A	*	\$315,636	135,707
Career & Technical Education				
CTE IC (pt State Chanc Office)	84.048	*	805,982	16,552
CTE IB - Regional Consortium (pt State)	84.048	*	422,624	412,138
CTE Transitions	84.243	*	83,184	85,874
U.S. DEPARTMENT OF AGRICULTURE				
Childcare Food Program (pt Calif. Dept. of Educ.)	10.558	*	68,569	-
U.S. DEPARTMENT OF LABOR				
America's Promise	17.268	*	258,194	162,643
U.S. DEPARTMENT OF HEALTH & HUMAN SERV				
California Dept. of Public Health Bi National Border	93.069	*	680,576	680,576
County Foster & Adoptive Parent	93.658	*	640,318	618,129
San Diego Garden Project	UNK	*	15,638	14,728
Headstart	93.600	*	240,000	10,514
TANF (50% Federal & 50% State)	93.558	*	140,054	-
NATIONAL SCIENCE FOUNDATION				
WaterWorks NSF	47.XXX	*	277,499	144,565
Total			\$41,798,351	2,892,515

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Program	Program Revenue				Total Program Expenditures	Auxiliary Passthrough
	Cash Received	Accounts Receivable	Deferred Revenue	Total		
GENERAL FUND						
Grants:						
AACC-JRWA	\$ 25,050	\$ -	\$ 25,050	\$ -	\$ -	\$ -
AB104 Adult Ed	7,866,672	-	-	7,866,672	7,866,672	7,866,672
Assessment Rem & Ret	22,800	34,200	-	57,000	57,000	54,808
Basic Skills 16/17 & 17/18	1,126,561	-	961,568	164,993	164,993	-
Basic Skills (Pilot)	-	1,034,983	-	1,034,983	1,034,983	826,923
Basic Skills (Transformation)	22,278	436,101	-	458,379	458,379	-
Board of Governors Grant - BFAP	951,007	-	-	951,007	951,007	-
CAFYES	625,933	-	16,032	609,901	609,902	61,750
CalWORKS	1,653,212	-	45,226	1,607,986	1,607,988	119,298
Cooperative Agencies Resources for Education	414,864	-	80,486	334,378	334,378	8,991
CA Acceleration Project	15,000	15,000	-	30,000	30,000	-
CA Apprenticeship Initiative (Pre-apprenticeship)	-	123,355	-	123,355	123,354	-
CA Apprentice Viticulture	88,805	-	32,518	56,287	56,287	39,532
CA Career Pathways	37,489	768	-	38,257	38,256	25,552
CA Promise Innovation	1,482,496	-	1,194,576	287,920	287,920	276,846
Campus Safety & Sexual Assault	42,942	-	41,067	1,875	1,875	-
Comm College Completion Grant	420,000	-	348,373	71,627	71,627	-
CTE Pathway	512,346	-	191,951	320,395	320,395	308,073
CTE Strong Workforce 16/17	1,779,691	-	482,342	1,297,349	1,297,351	829,145
CTE Data Unlocked TA	85,017	-	69,166	15,851	15,851	-
Cyber Patriot Program	4,495	-	1,570	2,925	2,925	-
Disabled Students Programs & Services	1,819,975	-	346	1,819,629	1,819,629	-
Dreamers	59,949	-	-	59,949	59,949	-

Continued on the next page

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Program	Program Revenue				Total Program Expenditures	Auxiliary Passthrough
	Cash Received	Accounts Receivable	Deferred Revenue	Total		
Extended Opportunity Program	1,960,664	-	383,907	1,576,757	1,576,758	8,991
Foster Care Education (State portion)	424,881	2,724	-	427,605	427,605	749,633
Full Time Student Success	1,049,637	2,840	1,720	1,050,757	1,050,757	-
General Child Care	613,844	41,056	-	654,900	654,899	-
Guided Pathways	572,377	-	547,816	24,561	24,562	-
Health DSN	89,705	176,155	-	265,860	265,860	255,635
Hunger Free Campus	41,299	-	24,409	16,890	16,892	-
IEPI Partnership Resource Team	400,000	-	195,290	204,710	204,710	62,872
Infant Toddler Demo Site	-	29,509	-	29,509	29,509	-
Middle College HS	40,000	60,000	-	100,000	100,000	-
Prop 39 Clean Energy	-	862,625	-	862,625	862,625	829,447
Prop 20 Lottery Funds	1,214,982	-	-	1,214,982	1,214,982	-
Staff Diversity	113,329	-	53,712	59,617	59,617	-
Staff Development	32,934	-	32,934	-	-	-
State Block Grants	2,424,299	-	1,319,996	1,104,303	1,104,304	-
Strong Workforce 17/18	10,099,293	-	9,654,859	444,434	444,435	444,435
Student Equity	2,682,251	-	407,591	2,274,660	2,274,660	98,852
Student Success & Support	5,425,141	-	754,045	4,671,096	4,671,096	-
SWF Netlab Project	-	76,526	-	76,526	76,525	-
Teacher Prep	-	85,874	-	85,874	85,874	82,572
Temp Assistance to Needy Families - TANF (State	111,995	28,060	-	140,055	140,054	-
Zero Textbook Cost	60,000	-	10,394	49,606	49,606	31,113
Total	\$ 46,413,213	\$ 3,009,776	\$ 16,876,944	\$ 32,546,045	\$ 32,546,051	\$ 12,981,140

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Reported Data</u>	<u>Audit Adjustment</u>	<u>Revised Data</u>
A. Summer Intersession (Summer Only)			
1. Noncredit	-	-	-
2. Credit	150.00	-	150.00
B. Summer Intersession (Summer - Prior to July 1)			
1. Noncredit	-	-	-
2. Credit	9.68	-	9.68
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	12,296.22	-	12,296.22
(b) Daily Census Contact Hours	620.43	-	620.43
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	19.71	-	19.71
(b) Credit	561.99	-	561.99
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	2,292.80	-	2,292.80
(b) Daily Census Procedure Courses	1,229.65	-	1,229.65
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES			
Total Credit FTES	17,160.77	-	17,160.77
Total Noncredit FTES	19.71	-	19.71
Total	<u>17,180.48</u>	<u>-</u>	<u>17,180.48</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE GOVERNEMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

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

Total Fund Balances and Due to Student Groups:

General Fund	\$	33,660,301	
Special Revenue Funds		1,080,985	
Capital Projects Funds		36,669,275	
Debt Service Funds		22,440,690	
Internal Service Fund		9,573,868	
Student Financial Aid Fund		579,181	\$ 104,004,300
		<u> </u>	

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

The cost of capital assets is	\$	451,211,968	
Accumulated depreciation is		<u>(106,949,850)</u>	\$ 344,262,118

Deferred outflows and inflows of resources related to pensions and other post-employment benefits (OPEB) in the governmental funds, deferred outflow and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, the amounts reported are:

Deferred outflows of resources related to pensions	\$	29,821,094	
Deferred inflows of resources related to pensions		<u>(5,612,009)</u>	\$ 24,209,085

Unmatured General Obligation Bond interest (3,827,207)

Long-term obligations at year-end consist of:

General Obligation Bonds Payable	\$	252,764,138	
Lease revenue bond payable		610,000	
Unamortized Premium		14,638,138	
Other postemployment benefits		13,073,951	
Pension liability		122,919,914	
Compensated absences		2,592,245	<u>(406,598,386)</u>
		<u> </u>	\$ 62,049,910

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	20,147,683	-	20,147,683	20,216,332	-	20,216,332
Other	1300	19,212,186	-	19,212,186	19,490,136	-	19,490,136
Total Instructional Salaries		39,359,869	-	39,359,869	39,706,468	-	39,706,468
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	6,580,425	-	6,580,425
Other	1400	-	-	-	689,437	-	689,437
Total Non-Instructional Salaries		-	-	-	7,269,862	-	7,269,862
Total Academic Salaries		39,359,869	-	39,359,869	46,976,330	-	46,976,330
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	17,885,546	-	17,885,546
Other	2300	-	-	-	1,405,194	-	1,405,194
Total Non-Instructional Salaries		-	-	-	19,290,740	-	19,290,740
Instructional Aides							
Regular Status	2200	1,858,943	-	1,858,943	2,085,154	-	2,085,154
Other	2400	1,013,843	-	1,013,843	1,157,122	-	1,157,122
Total Instructional Aides		2,872,786	-	2,872,786	3,242,276	-	3,242,276
Total Classified Salaries		2,872,786	-	2,872,786	22,533,016	-	22,533,016
Employee Benefits	3000	16,930,709	-	16,930,709	30,345,603	-	30,345,603
Supplies and Materials	4000	-	-	-	539,958	-	539,958
Other Operating Expenses	5000	-	-	-	12,128,129	-	12,128,129
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		59,163,364	-	59,163,364	112,523,036	-	112,523,036
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	755,498	-	755,498	755,498	-	755,498
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	7,395	-	7,395
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	603,501	-	603,501
Object to Exclude							
Rents and Leases	5060	-	-	-	297,089	-	297,089
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	454,704	-	454,704
Classified Salaries	2000	-	-	-	699,622	-	699,622
Employee Benefits	3000	-	-	-	777,974	-	777,974
Supplies and Materials	4000	-	-	-	104,992	-	104,992
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	-	-	-	352,589	-	352,589
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		\$ 755,498	\$ -	\$ 755,498	\$ 4,053,364	\$ -	\$ 3,948,372
Total for ECS 84362, 50% Law		\$ 58,407,866	\$ -	\$ 58,407,866	\$ 104,590,019	\$ -	\$ 104,590,019
Percent of CEE (Instructional Salary Cost/Total CEE)		54.78%	0.00%	54.78%	100.00%	0.00%	100%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 52,295,010	\$ -	\$ 52,295,010

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2018**

EPA Revenue	\$ 15,009,135
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 15,232,677	\$ -	\$ -	\$ 15,232,677
Total		\$ 15,232,677	\$ -	\$ -	\$ 15,232,677

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF THE SCHEDULE

A. Local Education Agency Organization Structure

This schedule provides information about the District’s boundaries and schools operated, members of the governing board, and members of the administration.

B. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

C. 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 financial statements.

D. 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.

E. 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.

F. Reconciliation of 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.

G. Reconciliation of the ECS 84632 (50 Percent Law) Calculation

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

H. 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 D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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*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, 2018, 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 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of 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 weakness 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.



San Diego, California
December 21, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200,
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Grossmont-Cuyamaca Community College District's compliance with the types of compliance requirements described in the *OMB 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, 2018. 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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State Board of Accountancy

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, 2018.

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 the Uniform Guidance, 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.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 21, 2018

REPORT ON STATE COMPLIANCE

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) 2017-2018*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

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) 2017-2018*, 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, 2018.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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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 – Dual enrollment
- Section 428 – Student Equity
- Section 429 – Student Success and Support Program (SSSP)
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intercession Extension Program
- Section 444 – Apprenticeship related and supplemental instruction
- 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) 2017-2018*. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 21, 2018

FINDINGS AND QUESTIONED COSTS

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

	<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

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 Uniform Guidance	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Aid Cluster</u>
<u>84.031C</u>	<u>Title III- STEM Guided Pathway</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$1,253,951</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 FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2018**

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 noted during the fiscal year ended June 30, 2018.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs noted during the fiscal year ended June 30, 2018.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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 the fiscal year ended June 30, 2018.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no findings or questioned costs for the prior fiscal year ended June 30, 2017.