

**GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION**

**AUDIT REPORT
JUNE 30, 2018**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
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JUNE 30, 2018**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governance Board
Grossmont-Cuyamaca Community College
District Auxiliary Organization
El Cajon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Grossmont-Cuyamaca Community College District Auxiliary Organization (the "Auxiliary"), as of and for the year ended June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, 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 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.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

Corporate Office:

348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229

tel: 619.270.8222

fax: 619.260.9085

www.christywhite.com

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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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grossmont-Cuyamaca Community College District Auxiliary Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Auxiliary's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Auxiliary's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the Auxiliary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Auxiliary's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 20, 2018

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

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	(1,080)	(10)
Total capital assets, net	<u>4,272</u>	<u>5,342</u>
Total Assets	<u>6,716,568</u>	<u>\$ 8,744,973</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	4,541,487	6,933,405
Total net assets	<u>4,701,628</u>	<u>7,078,797</u>
Total Liabilities and Net Assets	<u>\$ 6,716,568</u>	<u>\$ 8,744,973</u>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

	2018			2017
	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 AUXILIARY ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

	2018			2017
	Program Services	Supporting Services	Total	Total
OPERATING EXPENSES				
Salaries	\$ 4,251,710	\$ 252,187	\$ 4,503,897	\$ 3,988,273
Benefits	1,644,363	50,871	1,695,234	1,447,124
Supplies	215,317	4,086	219,403	273,786
Contract services	12,242,519	28,197	12,270,716	10,133,236
Travel and conference and mileage	171,008	3,732	174,740	176,005
Membership dues and fees	830	3,226	4,056	9,525
Fees	13,505	-	13,505	17,670
Software licenses	1,750	-	1,750	20,060
Utilities	9,660	600	10,260	9,429
Equipment	-	-	-	7,093
Contract maintenance	9,459	2,214	11,673	5,234
Rental and leases	596	-	596	5,850
Printing and binding	72,342	-	72,342	54,329
Advertising and promotion	32,889	-	32,889	32,479
Postage and freight	3,849	911	4,760	9,330
Payments to or for students	100,000	-	100,000	13,775
Depreciation	-	1,070	1,070	10
Operational indirect costs	363,846	-	363,846	348,506
Total Operating Expenses	\$ 19,133,643	\$ 347,094	\$ 19,480,737	\$ 16,551,714

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
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	10
(Increase) decrease in operating assets:		
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>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in capital assets	-	(5,694)
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</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>
 SUPPLEMENTAL DISCLOSURE		
Cash paid on interest	\$ -	

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Grossmont-Cuyamaca Community College District Auxiliary Organization (the “Auxiliary”) was incorporated in the State of California on March 1, 2000 for the purpose of promoting and assisting the Grossmont-Cuyamaca Community College District (the “District”). The Auxiliary was formed by the District and is authorized to operate as an auxiliary organization of the District under the provisions of California Education Code and the District’s implementing regulations. The Auxiliary’s primary role is to administer various federal and state grants and programs for the District.

B. Basis of Accounting

The Auxiliary’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The Auxiliary is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the Auxiliary in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the Auxiliary in perpetuity while the earnings on those assets are available for use by the Auxiliary to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Auxiliary’s financial statement presentation.

GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

F. Comparative Information

The financial statements include prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a comparative presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation for Grossmont and Cuyamaca Colleges financial statements for the year ended June 30, 2018 from which the summarized information was derived.

G. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. A contribution is recognized as income at the date the contribution is received or pledged.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the Auxiliary if not donated.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Cash and Investments

The Auxiliary considers an original maturity of less than ninety days to be cash equivalents. The Auxiliary's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Auxiliary establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2018, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

J. Capital Assets

The Auxiliary has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or is requiring the Auxiliary to hold the asset for a specified period of time. Capital assets are depreciated using the straight-line method.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

K. Income Taxes

The Auxiliary is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private Auxiliary. The Auxiliary is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Auxiliary did not have any net unrelated business income for the year ended June 30, 2018. It is management's belief that all of the Auxiliary's uncertain tax positions would be upheld under examination; therefore, no provisions for income tax have been recorded. The Auxiliary's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

L. Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

M. New Accounting Pronouncement

Not-for-Profit Financial Reporting Model Standard

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Auxiliary has not yet determined the impact on the financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. New Accounting Pronouncement (continued)

Revenue Recognition

In May 2014, the International Accounting Standards Board (IASB) and FASB issued a joint accounting standard on revenue recognition to address a number of concerns regarding the complexity and lack of consistency surrounding the accounting for revenue transactions. Consistent with each board's policy, FASB and IASB issued new reporting standards on revenue recognition. FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in FASB ASU No. 2016-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605 Revenue Recognition. The guidance was originally effective for public entities for the fiscal year beginning after December 15, 2016. In August 2015, FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, to allow entities additional time to implement systems, gather data, and resolve implementation questions. The new requirements are to be applied to fiscal years beginning after December 17, 2017. The Auxiliary has not yet determined the impact on the financial statements.

Leases

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and is effective for public business entities for fiscal years beginning after December 15, 2018. The Auxiliary has not yet determined the impact on the financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018, consist of cash in checking and money market accounts in the amount of \$4,383,028.

Cash in Bank

Custodial credit risk is the risk that in the event of a bank failure, the Auxiliary's deposits may not be returned to it. The Auxiliary does not have a policy for custodial credit risk of deposits. The FDIC insures up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2018, the Auxiliary is exposed to \$4,133,028 of custodial credit risk.

NOTE 3 – DUE FROM RELATED PARTIES

Grossmont-Cuyamaca Community College District

As described in Note 1, the Auxiliary's purpose is to support the District; therefore, transactions between the Auxiliary, the District, and other affiliate agencies of the District, are expected. Per the terms of its implementing regulations and master agreement, the Auxiliary is authorized to use facilities and property of the District and is covered under the District's insurance. The Auxiliary has not recognized the coverage of these expenses by the District as non-cash contributions.

The Auxiliary is governed by a Board of Directors separate from that of the District Trustees; however, the Auxiliary's Board of Directors is comprised of the Chancellor of the District, and other representatives of the District, the colleges and its affiliates.

The Auxiliary's primary source of income is federal and state grant awards passed through the District to the Auxiliary. During the year ended June 30, 2018, these awards totaled \$16,473,074. In turn, the Auxiliary provides support for various programs of the District. Awards due to District programs, departments, and affiliates totaled \$1,183,748 at the year ended June 30, 2018.

Amounts due to and from the District for cost reimbursement are generated through the normal course of operation. As of June 30, 2018, \$2,329,268 was receivable from the District for federal and state pass-through grants.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2018 consist of employee reimbursements and vendor payables of \$146,622.

NOTE 6 – ACCRUED PAYROLL LIABILITY

Accrued payroll liabilities at June 30, 2018 of \$518,868 consist of employee benefits and salaries earned but not yet paid.

NOTE 7 – COMPENSATED ABSENCES

Compensated absences at June 30, 2018 consist of unpaid employee vacation benefits of \$165,702.

NOTE 8 – RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 are drawn from the following sources:

AVC Corp Training	\$	89,381
Basic skills		572,558
AEBG Consortium		570,736
CTE-Southwestern		2,977,392
CAHCWA		331,420
	\$	<u>4,541,487</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 9 – PENSION PLANS

A. California Public Employees' Retirement System (CalPERS)

Plan Description

The Auxiliary 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.

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 Auxiliary 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 15.531% of annual payroll. Contributions to the plan from the Auxiliary were \$273,705 for the year ended June 30, 2018.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 10 – REVENUES AND PUBLIC SUPPORT

Under generally accepted accounting principles (GAAP), differences exist between governmental accounting standards and nonprofit accounting standards. These financial statements have been prepared under nonprofit financial reporting. Under nonprofit financial reporting, only contributions with donor-imposed restrictions can be subject to temporarily restricted net assets; therefore, net asset designations differ based on classification of revenues and public support. The following reconciliation is necessary to detail the primary differences between governmental and nonprofit reporting:

	Unrestricted	Temporarily Restricted	Total
Categorical allowances	\$ -	\$ 16,473,074	\$ 16,473,074
Contributions			-
Contract education and services	-	118,297	118,297
Interest income	-	69,069	69,069
Other local revenues	361,843	81,285	443,128
Total revenues and public support	<u>\$ 361,843</u>	<u>\$ 16,741,725</u>	<u>\$ 17,103,568</u>
Reconciling items:			
Reclassification of categorical allowances	19,133,643	(19,133,643)	-
Total reconciling items	<u>19,133,643</u>	<u>(19,133,643)</u>	<u>-</u>
Total support and revenues under nonprofit GAAP	<u>\$ 19,495,486</u>	<u>\$ (2,391,918)</u>	<u>\$ 17,103,568</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Auxiliary has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Multi-employer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Organization's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization's proportionate share of the multiemployer plan's unfunded vested liabilities. Also as of June 30, 2017, CalPERS has estimated the Organization's share of withdrawal liability to be \$1,247,882. The Auxiliary does not currently intend to withdraw from CalPERS. Refer to Note 7 for additional information on employee retirement plans.

NOTE 12 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for the period from June 30, 2018 through December 20, 2018. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION SECTION

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

Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid:			
High-Need STEM Professins	84.031C	*	\$ 111,228
Title V - Hispanic Serving Institutions (Grossmont)			209,870
Title V-HSI(Cuyamaca)			289,991
WIA Title II Adult Education & Family Literacy Act	84.002A	*	135,707
Career & Technical Education			
CTE, Title IC	84.048	*	150,000
CTE, Title IB	84.048	*	58,817
CTE- Tech Prep	84.U02	*	85,874
CTE Transitions	84.243	*	47,538
U.S. DEPARTMENT OF LABOR			
America's Promise		*	178,907
U.S. DEPARTMENT OF HEALTH & HUMAN SERV			
California Dept. of Public Health Bi National Border	93.069	*	680,575
County Foster & Adoptive Parent	93.658	*	299,550
Foster Care Education	--	*	339,092
San Diego Garden Project	--	*	15,317
Headstart	--		15,524
NATIONAL SCIENCE FOUNDATION			
Water Works NSF	--	*	193,716
Total			\$ 2,811,706

* Pass-through identifying number is not available or not applicable

GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of federal expenditures of federal awards included the federal grant activity of the Auxiliary and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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**

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governance Board
Grossmont-Cuyamaca Community College
District Auxiliary Organization
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 Auxiliary Organization (the "Auxiliary"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Auxiliary's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Auxiliary'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 the Auxiliary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Auxiliary'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.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

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

*Licensed by the California
State Board of Accountancy*

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Auxiliary'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.

Christy White Associates

San Diego, California
December 20, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
UNIFORM GUIDANCE**

Independent Auditors'

Governance Board
Grossmont-Cuyamaca Community College
District Auxiliary Organization
El Cajon, California

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Report on Compliance for Each Major Federal Program

We have audited Grossmont-Cuyamaca Community College'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's major federal programs for the year ended June 30, 2018. Grossmont-Cuyamaca Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grossmont-Cuyamaca Community College'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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Auxiliary's compliance.

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San Diego, CA 92103

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Opinion on Each Major Federal Program

In our opinion, the Auxiliary 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 the Auxiliary 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 the Auxiliary'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 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 the Auxiliary'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 20, 2018

**FINDINGS AND QUESTIONED
COSTS SECTION**

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE
DISTRICT AUXILIARY ORGANIZATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</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 Number</u>	<u>Name of Federal Program or Cluster</u>
96.358	California Dept. of Public Health Bi National Border
84.031S	Title V

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>