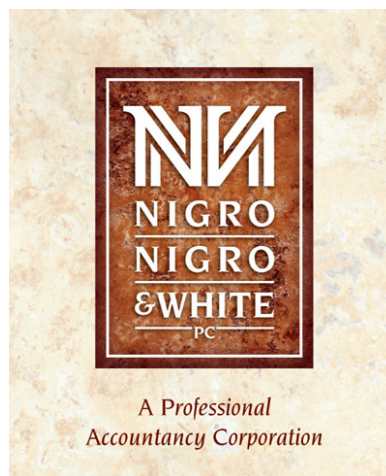


**GROSSMONT-CUYAMACA  
COMMUNITY COLLEGE DISTRICT**

**PENSION ELIGIBLE ALTERNATIVE  
RETIREMENT PLAN**

**Audit Report  
Years Ended June 30, 2008 and 2007**



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
AUDIT REPORT  
June 30, 2008**

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The Administrative Committee of the  
Grossmont-Cuyamaca Community College District  
Pension Eligible Alternative Retirement Plan

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of plan net assets of the Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan (the Plan) as of June 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the management of the Plan. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan as of June 30, 2008 and 2007, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2008 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on page 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Nijio Nijio & White, PC*

San Diego, California  
September 4, 2008

## *Management's Discussion and Analysis*

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Management's Discussion and Analysis (Unaudited)  
June 30, 2008**

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This discussion of the Grossmont-Cuyamaca Community College District Pension Eligible Alternative Retirement Plan's (the Plan) financial statements provide an overview and analysis of the Plan's financial position and activities for the year ended June 30, 2008. Please read it in conjunction with the Plan's financial statements and related notes to financial statements.

**FINANCIAL HIGHLIGHTS**

The Plan's net assets were \$5.2 million as of June 30, 2008.

The Plan's net assets increased by \$7,667 or 0.1% from the prior year. This net increase was primarily due to employer and participant contributions, offset by net investment loss, benefits paid to participants and beneficiaries, and administrative expenses.

The average overall rate of return on investments for the year was a negative 2.4% on a market value basis for the year ended June 30, 2008, compared to last year's positive 12.6% return, primarily due to changes in world equity markets during 2007-08. Overall rates of return are also affected by the amounts and timing of employer and participant contributions and participant distributions throughout the Plan year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The Plan's annual report is comprised of three components:

- Management's Discussion and Analysis
- Financial statements including statements of plan net assets, and statements of changes in plan net assets
- Notes to financial statements

The statements of plan net assets present information on the Plan's assets, liabilities, and the resulting net assets held in trust for benefit of the Plan's participants. These statements reflect the Plan's investments at estimated fair value, along with cash and other assets and liabilities as applicable. These statements indicate the net assets available to pay future benefits and give a snapshot of the Plan's financial position at a particular point in time.

The statements of changes in plan net assets present information showing how the Plan's net assets changed during the years ended June 30, 2008 and 2007. They reflect contributions made by the Plan Administrator (Grossmont-Cuyamaca Community College District) and Plan participants, along with deductions for benefits paid to participants upon retirement or other separation of employment. Investment income or loss is also presented showing income or loss from the Plan's investment choices.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Management's Discussion and Analysis (Unaudited)  
June 30, 2008**

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Total assets of the Plan were \$5.2 million as of June 30, 2008, compared with \$5.2 million as of June 30, 2007 and \$4.5 million as of June 30, 2006 (see Table A-1 below). The Plan's invested assets consist principally of common collective funds and mutual funds. The Plan has not reported any liabilities during the last three years.

A summary of the Plan's net assets for each of the last three years is presented below:

**TABLE A-1: THE PLAN'S NET ASSETS**

	June 30,		
	2008	2007	2006
Assets			
Cash and cash equivalents	\$ 67,228	\$ 36,104	\$ 87,007
Contributions receivable	27,417	25,272	23,005
Investments	5,094,759	5,120,361	4,341,794
Total assets	5,189,404	5,181,737	4,451,806
Net plan assets	\$ 5,189,404	\$ 5,181,737	\$ 4,451,806

A summary of the changes in net assets during the years ending June 30, 2008, 2007, and 2006 follows (see Table A-2 below):

**TABLE A-2: THE PLAN'S CHANGES IN NET ASSETS**

	June 30,		
	2008	2007	2006
Additions			
Total contributions	\$ 500,804	\$ 476,100	\$ 434,260
Total investment income (loss)	(127,389)	557,392	298,505
Total additions	373,415	1,033,492	732,765
Deductions			
Benefits paid	247,498	216,970	279,791
Administrative and other expenses	118,250	86,591	102,211
Total deductions	365,748	303,561	382,002
Increase in net plan assets	\$ 7,667	\$ 729,931	\$ 350,763

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Management's Discussion and Analysis (Unaudited)  
June 30, 2008**

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The Plan's increase in net assets during the year ended June 30, 2008 was impacted by a deduction of \$127,389, representing the Plan's net investment loss for the year. During the year ended June 30, 2007, the Plan posted a more robust \$557,392 in investment income as the Plan's individual investments (predominately mutual funds) participated in the favorable market conditions that were prevalent in most equity markets in 2006-07.

The Plan's changes in net assets, as shown above, also reflect \$500,804 and \$476,100 of employer and participant contributions for the years ended June 30, 2008 and 2007, respectively. Contributions to the Plan are shared between the employees and the employer. The employer contributes 3.75% of eligible wages as defined under IRS regulations, and 3.75% of eligible wages are withheld from the employees' checks for deposit under the Plan.

Benefits paid to participants primarily include payments and rollovers of the vested accounts balances. The average benefit paid to participants declined from approximately \$1,269 for the year ended June 30, 2007 to \$934 for the year ended June 30, 2008, while the number of participant distributions increased in the year ended June 30, 2008 as compared to the previous year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **Financial Section**

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**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Statements of Plan Net Assets  
June 30, 2008 and 2007**

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	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 67,228	\$ 36,104
Contributions receivable:		
Employer	13,699	12,636
Participants	13,718	12,636
Total contributions receivable	<u>27,417</u>	<u>25,272</u>
Investments, at fair value		
Common collective funds	347,167	577,328
Mutual funds	4,747,592	4,543,033
Total investments	<u>5,094,759</u>	<u>5,120,361</u>
Net assets held in trust for pension benefits	<u>\$ 5,189,404</u>	<u>\$ 5,181,737</u>

See accompanying notes to the financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Statements of Changes in Plan Net Assets  
Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Additions to plan net assets:		
Contributions		
Employer	\$ 250,402	\$ 238,050
Participants	250,402	238,050
Total contributions	<u>500,804</u>	<u>476,100</u>
Investment income (loss):		
Net unrealized appreciation (depreciation) in fair value of investments	(499,141)	165,326
Realized gain on sale of investments	215,993	250,361
Interest and dividend income	155,759	141,705
Total investment income (loss)	<u>(127,389)</u>	<u>557,392</u>
Total additions	<u>373,415</u>	<u>1,033,492</u>
Deductions from plan net assets:		
Benefits paid to participants and beneficiaries	247,498	216,970
Administrative expenses	118,250	86,591
Total deductions	<u>365,748</u>	<u>303,561</u>
Net increase	7,667	729,931
Net plan assets:		
Beginning of year	<u>5,181,737</u>	<u>4,451,806</u>
End of year	<u>\$ 5,189,404</u>	<u>\$ 5,181,737</u>

See accompanying notes to the financial statements.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Notes to Financial Statements  
June 30, 2008 and 2007**

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**NOTE 1 – DESCRIPTION OF PLAN**

The following description of the Grossmont-Cuyamaca College District Pension Eligible Alternative Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for more detailed information regarding the Plan's provisions.

The Plan is a defined contribution money purchase plan covering all part-time employees of Grossmont-Cuyamaca College District (the Employer) who are not eligible for membership in the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), or an alternative plan. Upon employment and re-employment, employees must become a member of the Plan.

The Plan is an alternative plan to social security, and Plan members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991.

As a government plan, the Plan is excluded from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. However, the Plan is subject to the reporting requirements of the California State Controller's Office.

***Plan Amendments***

Effective July 1, 2007, the Plan was amended to ensure that mandatory distributions for participants that have attained age 70 ½ are made in a timely manner.

Prior to July 1, 2007, Plan earnings or losses were offset by expenses and then allocated to the participant's account on a pro-rata basis. Effective July 1, 2007, the fee allocation method was amended to charge an administration fee of \$10, but no more than the terminated participant's total value of their account balance, twice a year to each terminated participant's account. Active participants will continue to be charged administration fees on a pro-rata basis.

***Contributions***

Contributions to the Plan are shared between the employees and the Employer. The Employer contributes 3.75% of eligible wages as defined under IRS regulations, and 3.75% of eligible wages are withheld from the employees' checks for deposit under the Plan. Employer contributions of \$250,402 and \$238,050 and participant contributions of \$250,402 and \$238,050 were made to the Plan for the years ended June 30, 2008 and 2007, respectively.

***Participant Accounts***

Each participant's account is credited with the participant's contribution, the Employer's contributions, and an allocation of Plan earnings then expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested interest in their account.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Notes to Financial Statements  
June 30, 2008 and 2007**

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**NOTE 1 – DESCRIPTION OF PLAN (continued)**

*Vesting*

Participants are immediately 100% vested in all contributions plus actual earnings thereon.

*Payment of Benefits*

Upon termination of service, death, disability, or attainment of Normal Retirement Age, a participant may elect to receive a single lump-sum payment equal to the value of his or her account.

*Forfeitures*

There are no forfeitures since all contributions are immediately 100% vested.

*Investments*

The Plan administrator directs the trustee concerning the investment and reinvestment of the Plan assets held by the trustee.

*Membership Summary*

At June 30, 2008 and 2007, the Plan's membership consisted of active members and terminated members entitled to benefits but not yet receiving them (deferred participants) as follows:

	<u>2008</u>	<u>2007</u>
Terminated participants with vested benefits	2,979	2,917
Active plan participants	<u>1,708</u>	<u>2,110</u>
Total	<u><u>4,687</u></u>	<u><u>5,027</u></u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Notes to Financial Statements  
June 30, 2008 and 2007**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The financial statements have been prepared in compliance with the requirements set forth by the California State Controller's Office. The Plan applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

*Basis of Accounting*

The financial statements of the Plan are prepared under the accrual method of accounting. Employer and employee contributions are recognized as revenues in the period in which employee services are performed.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash, cash held in money market accounts and all highly liquid debt instruments with an original maturity of three months or less.

*Investments*

Investments of the Plan are held and invested by Union Bank of California, N.A., trustee of the Plan, as pooled investments. Investments are reported at fair value. Short-term investments are reported at a cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis.

*Administrative Expenses*

Administrative expenses are paid by the Plan. During the years ended June 30, 2008 and 2007, Plan expenses were \$118,250 and \$86,591, respectively.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Notes to Financial Statements  
June 30, 2008 and 2007**

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

*Risk and Uncertainties*

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level or risk associated with certain investments securities and the level of uncertainty related to changes in the value of investments securities, it is as least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of plan net assets and the statements of changes in plan net assets. The Plan's cash and cash equivalents and investments balances at June 30, 2008 and 2007 were not insured by the FDIC or by any other governmental agency, as the Plan's deposits and investments were in pooled or mutual fund investments held in the name of Union Bank of California, N.A., as Plan trustee.

**NOTE 3 – INVESTMENTS**

Non-participant directed investments as of June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>Percent of Investments</u>	<u>2007</u>	<u>Percent of Investments</u>
Union Bank of California Stable Value Fund	\$ 347,167	6.8%	\$ 577,328	11.3%
Mutual Funds - Domestic Equity Funds	1,791,251	35.2%	1,823,954	35.6%
Mutual Funds - International Equity Funds	423,538	8.3%	486,888	9.5%
Mutual Funds - Bond Funds	<u>2,532,803</u>	49.7%	<u>2,232,191</u>	43.6%
Total	<u>\$ 5,094,759</u>	100.0%	<u>\$ 5,120,361</u>	100.0%

As of June 30, 2008 and 2007, there were no Plan investments in any single organization exceeding five percent of the Plan's net assets.

During the years ended June 30, 2008 and 2007, the Plan's net investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<u>2008</u>	<u>2007</u>
Mutual Funds	<u>\$ (283,148)</u>	<u>\$ 415,687</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT  
PENSION ELIGIBLE ALTERNATIVE RETIREMENT PLAN  
Notes to Financial Statements  
June 30, 2008 and 2007**

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**NOTE 4 – TAX STATUS**

The Plan obtained its latest determination letter on November 8, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

**NOTE 5 – PLAN TERMINATION**

Although it has not expressed any intent to do so, the Employer has the right to discontinue its contributions at any time and may institute proceedings to effect a partial or total termination of the Plan subject to the provisions of the Plan agreement. In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by the Plan agreement, so that each participant receives 100 percent of his or her account balance as of the date of termination.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

Plan investments include investments in funds managed by HighMark Funds, whose investment advisor is HighMark Capital Management, Inc. HighMark Capital Management, Inc. is a wholly owned subsidiary of Union Bank of California, N.A., Plan trustee. Plan deposits and investments in HighMark mutual funds and other Union Bank of California funds as of June 30, 2008 and 2007 were \$2,027,423 and \$2,393,368, comprising 39.1% and 46.2% of plan net assets, respectively.

## *Other Independent Auditors' Reports*

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Administrative Committee, management, the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California

September 4, 2008