COPPER MOUNTAIN
COMMUNITY COLLEGE DISTRICT
San Bernardino County
Joshua Tree, California

Report on Audit
June 30, 2017

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FINANCIAL SECTION

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Copper Mountain Community College District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' 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 District'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 District'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.

17072 Silica Drive, Suite 101 * Victorville * California 92395
(760) 241-6376 * Fax (760) 241-2011
messnerandhadley.com

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 the business-type activities and the fiduciary activities of Copper Mountain Community College District, as of June 30, 2017, and the changes in net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the management's discussion and analysis on pages 4 through 12, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 42, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 43, and the Schedule of the District's Pension Contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a 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 an 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 District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200*, Uniform Administrative requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, 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 19, 2017, on our consideration of Copper Mountain Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Copper Mountain Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Copper Mountain Community College District was formally established in 1999 and serves the County of San Bernardino. Students in our college may complete the freshman and sophomore years of a baccalaureate degree and transfer to upper division study at a university or complete a certificated vocational program and move directly into the workforce.

The following discussion and analysis provides an overview of the financial position and activities of the District's Financial Report for the fiscal year ended June 30, 2017**.** The previous year's financial information is provided for comparison. The annual report consists of three basic financial statements that provide information on the District as a whole: the *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position*, and the *Statement of Cash Flows*.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

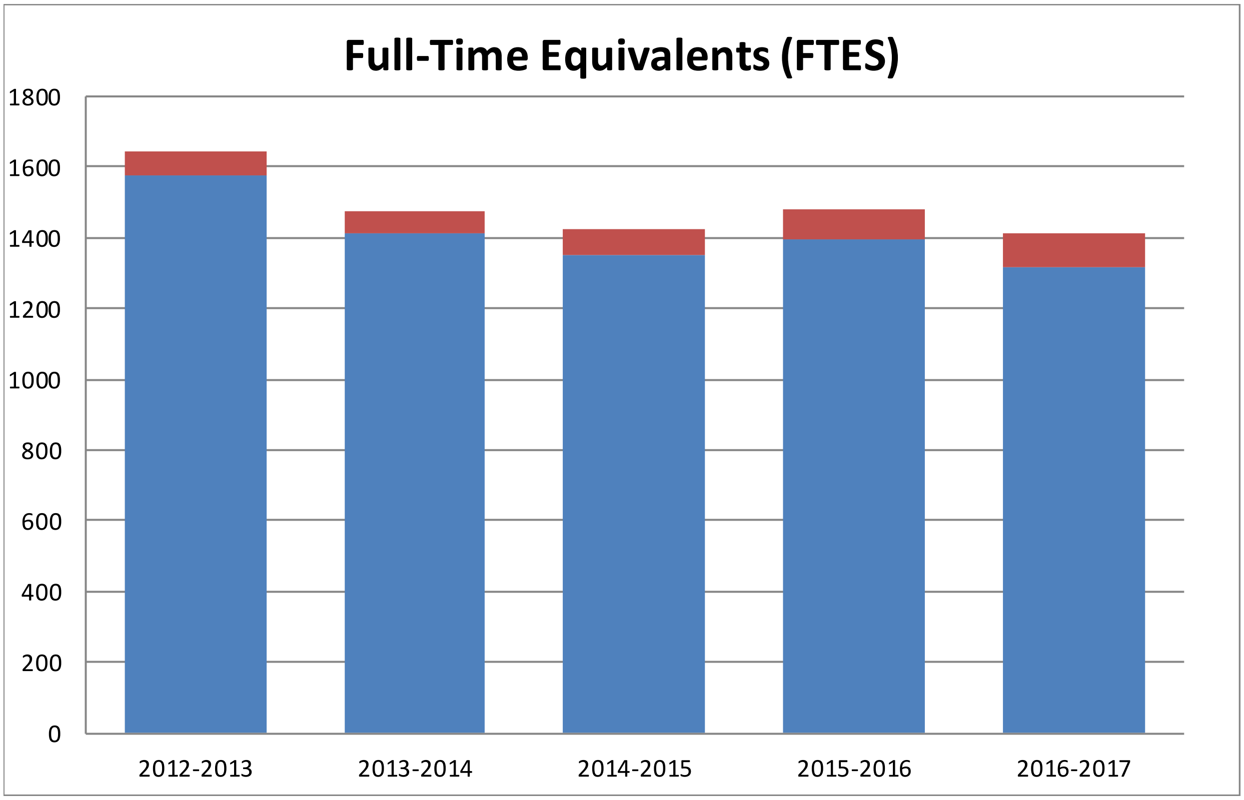
This section provides condensed information for each of the three basic financial statements, as well as illustrative charts and tables.

During 2016-2017, the District experienced a decrease in enrollment of 4.65%. It is imperative that the District meet its growth targets because future funding is determined by the District's ability to grow to its target levels.

The District's primary funding is based upon an apportionment allocation made by the State of California Community Colleges Chancellor's Office. The primary basis for the Chancellor's apportionment calculation is the District's reporting of Full-Time Equivalent Students (FTES). Below is the District' five-year trend for FTES:

Fiscal Year	Credit FTES	Non-Credit FTES
2012-2013	1,576	70
2013-2014	1,411	64
2014-2015	1,351	73
2015-2016	1,398	85
2016-2017	1,319	95

Trend of Full-Time Students as Reported on the California Community Colleges Simulated Recalculation



During fiscal year 2016-2017, total full-time equivalents students (FTES) decreased approximately 5.65% for credit courses and increased 11.76% for non-credit courses.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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 and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets. These net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities, legislation and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted and is available to the District for any lawful purpose of the District.

	2017	2016	Net Change
Assets			
Current assets	$ 5,544,495	$ 5,317,112	$ 227,383
Non-current assets	41,142,271	42,345,673	(1,203,402)
Total Assets	**46,686,766**	**47,662,785**	**(976,019)**
Deferred outflows of resources			
Deferred loss on refunding	668,871	735,757	(66,886)
Deferred outflows - pensions only	2,869,316	1,902,811	966,505
Total Deferred Outflows of Resources	3,538,187	2,638,568	899,619
Liabilities			
Current liabilities	3,690,241	2,969,407	720,834
Non-current liabilities	33,204,953	28,385,954	4,818,999
Total Liabilities	**36,895,194**	**31,355,361**	**5,539,833**
Deferred outflows of resources			
Deferred inflows - pensions only	1,201,755	1,564,627	(362,872)
Net Position			
Invested in capital assets, net of related debt	22,732,877	23,467,177	(734,300)
Restricted	1,258,753	1,199,461	59,292
Unrestricted	(11,863,625)	(7,285,273)	(4,578,352)
Total Net Position	**$ 12,128,005**	**$ 17,381,365**	**$ (5,253,360)**

- Nearly 100 percent of the cash balance and investments is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.

- The majority of the accounts receivable balance, in the amount of $410,728, is from Federal and State sources for grant and entitlement programs.

- Capital assets had a net balance of $41,142,271. Depreciation expense of $1,366,333 was recognized during 2016-2017.

- Accounts payable in the amount of $1,585,738 are amounts due as of the fiscal year-end for goods and services received as of June 30, 2017. The District also recorded $1,649,508 of unearned revenues.

- The District currently has $33,659,954 in outstanding debt. Of this amount, $455,000 is due in the coming year. Additional information regarding long term debt is included in the Debt Administration section of this discussion and analysis.
- The District's current investment in capital assets, net of related debt, is $22,732,877.

CHANGE IN NET POSITION

The change in total net position presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District.

Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. As an example, tuition fees paid by the student are considered an exchange for instructional services. This activity is considered an operating activity. The receipt of State apportionments and property taxes do not include this exchange relationship between payment and receipt of goods or services. These revenues and related expenses are classified as non-operating activities.

Condensed statement of revenues, expenses and changes in net position for the years ended June 30, 20167 and 2016:

	2017	2016	Net Change
Revenues			
Operating	$ 9,388,194	$ 9,131,451	$ 256,743
Non-operating	13,205,692	23,445,574	(10,239,882)
Total Revenues	**22,593,886**	**32,577,025**	**(9,983,139)**
Expenses			
Operating	24,802,114	21,873,418	2,928,696
Non-operating	717,397	680,890	36,507
Total Expenses	**25,519,511**	**22,554,308**	**2,965,203**
Change in Net Position	**(2,925,625)**	**10,022,717**	**(12,948,342)**
Net Position - Beginning	17,381,365	16,479,222	902,143
Adjustments for restatements/prior period adjustments	(2,327,735)	10,877	(2,338,612)
Net Position - Ending	**$ 12,128,005**	**$ 26,512,816**	**$ (14,384,811)**

The schedule above has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position. State general apportionment, while budgeted for operations, is considered non-operating revenues, according to the Governmental Accounting Standards Board's (GASB) prescribed reporting format. Grants and contracts revenue includes student financial aid, as well as specific federal and state grants received for programs serving the students of the District.

Total Operating Revenues reflects a increase in tuition and fees of $32,707 and an increase in grant revenue of $244,035 from the previous year. Grants and contracts increase and decrease when grant period ends or when new grants are obtained by the District.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for operating revenues and to fulfill the mission of the District.

Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

- Tuition and fees are generated by the resident, non-resident and foreign fees paid by students attending the District, including fees such as parking fees, community services classes and other related fees.
- Non-capital grants and contracts are primarily those received from Federal and State sources and used in instructional programs.
- State apportionment is generated based on the workload measures reported to the State by the District.
- Local property taxes are received through the Auditor-Controller's Office for San Bernardino County. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.

Total operating expenses increased by $2,928,700. The increase is comprised of three parts: 1) salaries and benefits increased by $2,525,913; 2) supplies, maintenance, and other operating expense increased by $1,046,596; and 3) payments to students decreased by $643,8209.

Operating expenses are 63% related to personnel costs. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities and depreciation expense.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. The statement also helps user assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

A summary of the Statement of Cash Flows for the years ended June 30,2017 and 2016 is shown below.

	2017	2016	Net Change
Cash used in operating activities	$(11,542,546)	$(11,316,193)	$ (226,353)
Cash provided by non-capital financing	13,262,778	14,310,722	(1,047,944)
Cash used by capital financing	(1,294,148)	(1,381,225)	87,077
Cash provided by investing activities	29,378	13,284	16,094
Total cash used	455,462	1,626,588	(1,171,126)
Cash - Beginning	**4,644,161**	**3,017,573**	**1,626,588**
Cash - Ending	**$ 5,099,623**	**$ 4,644,161**	**$ 455,462**

The primary operating activities contributing to cash flow are student tuition and fees and Federal, State, and Local grants and contracts, while the primary operating activity using cash flow throughout the year is the payment of salaries and benefits.

Even though State apportionment and property taxes are the primary source of non-capital related revenue (and cash flow), GASB accounting standards require that these sources of revenue be shown as non-operating revenue, since they come from general resources of the State and not from the primary users of the college's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

The net cash used by the District for operating activities was $11,542,546; cash flow from non-capital financing activities decreased by $1,047,944; and net cash used by capital financing, consisting primarily of the purchase of capital assets (buildings, building improvements, and equipment) and interest paid on capital debt totaled $1,294,148. Cash provided by investment activities equaled $29,378.

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

Capital Assets

At June 30, 2017 the District had total capital assets of $49.6 million consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office equipment. The related accumulated depreciation was $8.5 million.

Capital additions consist primarily of replacement, renovation and new construction of facilities, as well as significant investments in equipment, including information technology. Current year additions were funded with a combination of special categorical, unrestricted general fund dollars, and capital outlay appropriations.

A comparison of capital assets, net of depreciation, is summarized below:

	2017	2016	Net Change
Land, infrastructure and construction in progress	$ 15,317,821	$ 15,863,576	$ (545,755)
Buildings and equipment	34,357,356	33,785,811	571,545
Accumulated depreciation	(8,532,906)	(7,303,715)	(1,229,191)
Total Capital Assets	**$ 41,142,271**	**$ 42,345,672**	**$ (1,203,401)**

LONG-TERM LIABILITIES

At June 30, 2017, the District had $18.0 million in bonded debt related to the following bond issues: 2004 Series C Bonds and 2012 Refunding Bonds. The bonds were issued in prior years to fund various projects related to the construction, purchase and renovation of instructional and student facilities. The District also had approximately $1.2 million in post-employment benefits costs and accrued vacation pay. Finally, the District has approximately $14.0 million in pension liabilities. See the notes to the financial statements for additional information.

	2017	2016	Net Change
Bonds payable	$ 17,954,395	$ 18,878,497	$ (924,102)
OPEB Liability	1,179,088	1,084,313	94,775
Compensated absences	117,260	103,177	14,083
Net pension liability	13,954,211	8,891,416	5,062,795
Total Long-Term Liabilities	**$ 33,204,954**	**$ 28,957,403**	**$ 4,247,551**

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

On June 27th, 2017, Governor Brown signed a budget agreement that invested $270.2 million over the 2016 Budget Act level in community colleges. The budget recognizes the indispensable role community colleges play in closing achievement gaps, and in developing and strengthening California's economy. The budget also reflects the growing funding liabilities, expected to be as high as $900 million by 2025, that impact daily college operations.

California Community Colleges continue to face extensive challenges in offering a quality education that meets student's needs. While colleges remain committed to improving their educational quality and student services, rising costs hinder their ability to maintain current levels of service. Due to its impact on academic quality and student success, a base augmentation is California Community College's highest budget priority.

Contacting The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 District's Office of Fiscal Services, Copper Mountain College, P.O. Box 1398, Joshua Tree, California 92252-0879.

BASIC FINANCIAL STATEMENTS

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION –PRIMARY GOVERNMENT

June 30, 2017

Assets	
Current assets:	
Cash and cash equivalents	$ 5,099,623
Accounts receivable	410,728
Other assets	34,144
Non-current assets	
Fixed assets, net	41,142,271
Total Assets	**46,686,766**
Deferred Outflows of Resources	
Deferred loss on refunding	668,871
Deferred outflows of resources - pensions only	2,869,316
Total deferred outflows of resources	**3,538,187**
Liabilities	
Current liabilities:	
Accounts payable	1,585,733
Unearned revenue	1,649,508
Current portion of long-term debt	455,000
Total current liabilities	**3,690,241**
Non-current liabilities	33,204,953
Total Liabilities	**36,895,194**
Deferred Inflows of Resources	
Deferred inflows of resources - pensions only	1,201,755
Net Position	
Invested in capital assets	22,732,877
Restricted	1,258,753
Unrestricted	(11,863,625)
Total Net Position	$ 12,128,005

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION-PRIMARY GOVERNMENT

For the Year Ended June 30, 2017

OPERATING REVENUES	
Tuition and fees	$ 1,543,659
Less: Scholarship discounts and allowances	(1,232,697)
Net tuition and fees	310,962
Grants and contracts:	
Federal	4,842,727
State	3,603,370
Local	631,135
Total Operating Revenues	9,388,194
OPERATING EXPENSES	
Salaries	10,330,755
Benefits	5,305,476
Payments to students	4,861,159
Supplies, materials, and other expenses	2,566,709
Other Operating Expenses	371,682
Depreciation	1,366,333
Total Operating Expenses	24,802,114
OPERATING INCOME/(LOSS)	(15,413,920)
NON-OPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	10,275,882
Local property taxes	2,309,025
State taxes and other revenues	596,740
Investment income - non-capital	23,896
Investment income - capital	149
Interest expense - capital asset-related debt	(717,397)
Total non-operating revenues	12,488,295
CHANGE IN NET POSITION	(2,925,625)
Net Position - Beginning	17,381,365
Prior period adjustment	(2,327,735)
Net Position - Beginning, as restated	15,053,630
Net Position - Ending	$ 12,128,005

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT

For the Year Ended June 30, 2017

Cash Flows from Operating Activities	
Tuition and fees	$ 346,018
Federal grants and contracts	4,896,373
State grants and contracts	3,846,037
Local grants and contracts	556,207
Payments to suppliers	(2,842,308)
Payments to/on-behalf of employees	(13,479,047)
Student loans/grants and other Program expenses	(4,865,826)
Net cash provided by (used in) operating activities	(11,542,546)
Cash Flows from Non-capital Financing Activities	
State apportionments and receipts	10,326,979
State taxes and other revenues	596,906
Property taxes	2,338,893
Net cash provided by (used in) non-capital financing activities	13,262,778
Cash Flows from Capital Financing Activities	
Purchases of capital assets	(162,931)
Interest paid on capital debt	(493,879)
Principal paid on capital debt	(637,338)
Net cash provided by (used in) capital financing activities	(1,294,148)
Cash Flows from Investing Activities	
Interest on investments	29,378
Net cash provided by (used in) investing activities	29,378
Net Increase/(Decrease) In Cash	455,462
Cash and Cash Equivalents	
Beginning of year	4,644,161
End of year	$ 5,099,623

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT (CONTINUED)

For the Year Ended June 30, 2017

Reconciliation of operating loss to cash used in operating activities	
Operating Profit or (loss)	$ (15,413,920)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation and amortization	1,366,333
(Increase) decrease in accounts and notes receivable	144,535
(Increase) decrease in prepaids	(2,919)
(Increase) decrease in deferred outflows	(932,834)
Increase (decrease) in accounts payable	746,245
Increase (decrease) in unearned revenues	102,640
Increase (decrease) in pension obligation	2,390,174
Increase (decrease) in other liabilities	108,857
Increase (decrease) deferred inflows	(51,657)
Net cash used in operating activities	**$ (11,542,546)**

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2017

	ASB Trust Fund	Scholarship and Loan Trust Fund
Assets		
Cash and cash equivalents	$ 49,462	$ 32,809
Total Assets	$ 49,462	$ 32,809
Liabilities		
Due to student groups	$ 49,462	$ -
Total Liabilities	49,462	-
Net Position		
Restricted	-	32,809
Total Net Position	-	32,809
Liabilities and Net Position	$ 49,462	$ 32,809

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2017

	ASB Trust Fund	Scholarship and Loan Trust Fund
Additions		
Student activities	$ 28,946	$ 30,180
Deductions		
Student activities	13,380	33,627
Change in Net Position	15,566	(3,447)
Net Position - Beginning	33,896	36,255
Net Position - Ending	**$ 49,462**	**$ 32,808**

NOTE 1 – ORGANIZATION

Copper Mountain Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents in the County of San Bernardino, State of California. The District consists of one community college located in Joshua Tree, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity
While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board ("GASB") Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

Basis of Presentation
For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective of the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Note 2 – Summary Of Significant Accounting Policies (continued)

Investments

The District records its investment in San Bernardino County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Position. The fair value of investments, at June 30, 2017, approximated their carrying value.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are classified on the Statement of Net Position because their use is limited by enabling legislation, applicable bond covenants, and other laws of other governments. Also, resources have been set aside to satisfy certain requirements of the bonded debt issuance and to fund certain capital asset projects.

Accounts Receivable

Accounts receivable consists primarily of amounts due from Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any amount of State appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Inventories and Prepaid Expenditures

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories consist primarily of supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Buildings, as well as renovations to buildings, infrastructures, and land improvements, that significantly increase the value or extend the useful life of the structure are capitalized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

Asset Class	Estimated Useful Life
Buildings	50
Land improvements	10
Equipment and vehicles	8
Technology equipment	3

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element – deferred outflows of resources – represents a consumption of net position that applies to a future period and, as such, will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has two items that qualify for reporting in this category. First is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide Statement of Net Position. This represents the effects of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (PERS and STRS) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element – deferred inflows of resources – represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Position. The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of full-time load which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability 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 when the employee retires and within the constraints of the appropriate retirement systems.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Unearned Revenue

Tuition and fees received prior to June 30 for classes and programs offered in the subsequent fiscal year are reported as unearned revenue. Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, and OPEB obligations with maturities greater than one year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees Retirement Plan (PERS) and the State Teachers Retirement Plan (STRS) and additions to/deductions from PERS and STRS' fiduciary net position have been determined on the same basis as they are reported by PERS and STRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represents the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following categories:

- **Invested in capital assets, net of related debt –** This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Restricted –** Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

- **Unrestricted –** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

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 a recalculation will be recorded in the year computed by the State.

Property Taxes
Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The District reports real and personal property tax revenues in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2017.

Board of Governors Grants (BOGG) and Fee Waivers
Student tuition and fee revenues and certain other revenues are reported, net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods, and the 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. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Program
The District participates in federally funded Pell Grants, SEOG grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is reported as other revenue. The amount reported as other revenue represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On-Behalf Payments

GASB Cod. Sec N50 requires that direct on-behalf payments for 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 Retirement Systems on behalf of all Community Colleges in California.

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 Cod. Sec. C05.101, including state appropriations, local property taxes, and investment income. Nearly all of the District's expenses are from exchange transactions. Revenues and expenses are classified to the following criteria:

- **Operating revenues and *expenses* –** Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of fee waivers and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.

- **Non-operating revenues and expenses –** Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated within the primary government funds during the consolidation process in the entity-wide financial statements.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:

- GASB Statement 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for the year ending June 30, 2017.

- GASB Statement 74, "*Financial Reporting for Postemployment Benefits Other Than Pension Plans*", effective for the year ending June 30, 2017.

- GASB Statement 77, "*Tax Abatement Disclosures", effective for the year ended June 30, 2017.*

- GASB Statement 78, "*Pension Plans Provided through Muliple-Employer Defined Benefit Pension Plans",* effective for the year ended June 30, 2017*.*

- GASB Statement 79, "*Certain External Investment Pools and Pool Participants",* effective for the year ended June 30, 2017.

- GASB Statement 80, "*Blending Requirements for Certain Component Units-and amendment of GASB Statement No. 14",* effective for the year ended June 30, 2017.

Future Changes in Accounting Standards

GASB has issued Statement 75, "*Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions*", which improves accounting and financial reporting by state an local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 81, "Irrevocable Split-Interest Agreements", which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 82, "*Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73",* which addresses certain issues that have been raised with respect to Statements No. 67, 68 and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

Note 2 – Summary Of Significant Accounting Policies (continued)

Future Changes in Accounting Standards (continued)

GASB has issued Statement 83, "*Certain Asset Retirement Obligations"*, which will enhance comparability of governments by establishing uniform criteria for governments to recognize and measure certain asset retirements obligations' (ARO), including obligations that may not have been previously reported. An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 84, "*Fiduciary Activities",* which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 85, "*Omnibus 2017",* which will enhance consistency in the application of accounting and financial reporting requirements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 86, "*Certain Debt Extinguishment Issues",* which will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 87, "*Leases",* which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings f the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2021 financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the San Bernardino County Treasurer for the purpose of increasing interest earnings through County investment activities. The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. Substantially all cash held by financial institutions is entirely insured or collateralized.

Deposits and investments, as of June 30, 2017, consist of the following:

Business-type activities	$ 5,099,623
Fiduciary funds	82,271
Total Deposits and Investments	**$ 5,181,894**

Cash on hand and in banks	104,991
Cash in revolving	10,000
Cash in County Treasury	5,066,903
Total Deposits and Investments	**$ 5,181,894**

Policies and Practices

Under provision of the District's investment policy, and in accordance with Section 53601 and 53602 of the California Government Code, the District may invest in the following types of investments: The District is authorized under California Government code to make direct investments in local agency bonds, notes or warrants with 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, certificates of participation, obligations with first security; and collateralized obligations.

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains a significant portion of its cash in the San Bernardino County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool, as of June 30, 2017, as provided by the pool sponsor, was $5,072,462 with an average maturity of 341 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – DEPOSITS AND INVESTMENTS POLICIES AND PRACTICES (CONTINUED)

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Government Code Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

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 District does not have a policy for custodial credit risk, but all public funds are invested in bonds or government backed (collateralized) securities at 110% on the amount of deposit.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 4 – RECEIVABLES

Receivables, at June 30, 2017**,** consist of the following and are considered collectable in full:

	2017	2016
Federal	$ 121,504	$ 175,150
State	160,740	346,779
Local	128,484	114,465
Interest	-	5,332
	$ 410,728	**$ 641,726**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ending June 30, 2017:

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 264,667	$ -	$ -	$ 264,667
Construction in progress	14,184,114	41,267	14,126,514	98,867
Total capital assets not being depreciated	14,448,781	41,267	14,126,514	363,534
Capital assets being depreciated:				
Land improvements	1,414,795	109,556	(13,429,936)	14,954,287
Buildings and improvements	29,924,292	-	(414,375)	30,338,667
Furniture and equipment	3,861,519	312,918	155,748	4,018,689
Total capital assets being depreciated	35,200,606	422,474	(13,688,563)	49,311,643
Less accumulated depreciation:				
Land improvements	780,661	715,351	-	1,496,012
Buildings and improvements	3,900,801	347,781	-	4,248,582
Furniture and equipment	2,622,252	303,201	137,141	2,788,312
Total accumulated depreciation	7,303,714	1,366,333	137,141	8,532,906
Capital Assets, net	**$42,345,673**	**$ (902,592)**	**$ 300,810**	**$41,142,271**

NOTE 6 – INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity, within the governmental funds and fiduciary funds, have been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Interfund Operating Transfers

Operating transfers between funds of the District are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

NOTE 7 – LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term debt, for the year ended June 30, 2017, is shown below:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year	Long-term Portion
Governmental Activities						
General Obligation Bonds						
Series C	$ 4,641,669	$ -	$ 156,449	$ 4,485,220	$ -	$ 4,485,220
Refunding	12,560,000	-	415,000	12,145,000	455,000	11,690,000
Accreted Interest	1,173,277	168,236	58,551	1,282,962	-	1,282,962
Premiums	503,551	-	7,338	496,213	-	496,213
Net pension liability	11,564,037	2,390,174	-	13,954,211	-	13,954,211
OPEB	1,084,313	94,775	-	1,179,088	-	1,179,088
Accumulated vacation	103,177	14,083	-	117,260	-	117,260
Totals	**$ 31,630,024**	**$ 2,667,268**	**$ 637,338**	**$ 33,659,954**	**$ 455,000**	**$ 33,204,954**

Bonded Debt

The outstanding bonded debt of the District, at June 30, 2017**,** is:

Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
8/1/2033	$ 4,999,587	$ 4,641,669	$ -	$ 156,449	$ 4,485,220
8/1/2031	$ 13,510,000	$ 12,560,000	$ -	$ 415,000	$ 12,145,000

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

2004 General Obligation Bonds

On November 2, 2004, $19.7 million in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure C. These bonds were issued in multiple series as general obligations of the District.

2004 Series C Bonded Debt

In April 2008, the District issued General Obligation Bonds, Series 2004 C, in the amount of $4,999,587 which were sold at a premium. The proceeds from the sale of the bonds were generally used to finance the construction, acquisition, furnishing and equipping of District facilities. Bond issuance costs of $183,457 were incurred in connection with the issuance of the Series 2004 Series C general obligation bonds.

The bond proceeds may not be used for District employees' salaries or other administration costs. In November, 2004 the Attorney General of California issued an opinion stating that districts may use Proposition 39 bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.

2012 Refunding Bonds

In December 2012, the District issued $13,510,000 in general obligation bonds to partially refund $12,955,000 of outstanding 2004 Series A and B general obligation bonds originally issued in the aggregate principal of $15,000,000. The new bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from $265,000 to 1,355,000 through August, 2030. The new issue will reduce debt service payments for the District by $1,429,692, with an economic gain of $1,085,484.

The annual requirements to amortize the bonds payable are as follows:

	Total		
Year	**Principal**	**Interest**	**Total**
2018	$ 455,000	$ 477,987	$ 932,987
2019	505,000	458,787	963,787
2020	1,029,692	712,795	1,742,487
2021	620,000	413,888	1,033,888
2022	670,000	379,487	1,049,487
2023-2027	5,203,853	2,375,859	7,579,712
2028-2032	6,146,675	2,899,993	9,046,668
2033-2037	2,000,000	83,250	2,083,250
Total	**$ 16,630,220**	**$ 7,802,046**	**$ 24,432,266**

Compensated Absences

Accumulated unpaid employee vacation benefits, as of June 30, 2017, are $117,260.

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" during the year ended June 30, 2009. The District's annual required contribution, for the year ended June 30, 2017, was $117,347 and contributions made by the District

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

during the year were $22,572 which resulted in an increase in the net OPEB obligation for 2017 of $94,775. See Note 8 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 8 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) or funding excess over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 136,679
Interest on net OPEB obligation	43,373
Adjustment to annual required contribution	(62,705)
Annual OPEB cost (expense)	117,347
Contributions made	(22,572)
Increase in net OPEB obligation	94,775
Net OPEB obligation, beginning of year	1,084,313
Net OPEB obligation, end of year	**$ 1,179,088**

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2014	$ 126,349	56.39%	$ 943,906
2015	$ 125,520	54.06%	$ 998,962
2016	$ 118,868	28.20%	$ 1,084,313
2017	$ 117,347	19.24%	$ 1,179,088

NOTE 8 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (CONTINUED)

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administration expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost increases were estimated at 4 percent annually. The UAAL is being amortized at a level dollar method. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2017, the Trust held net assets in the amount of $0.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (CalSTRS) and classified employees are members of the 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

	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expense
CalSTRS	$ 8,499,415	$ 703,873	$ (182,475)	$ 1,683,032
CalPERS	5,454,796	2,165,443	(1,019,280)	152,533
	$ 13,954,211	$ 2,869,316	$ (1,201,755)	$ 1,835,565

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Benefits Paid

CalSTRS and CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year full-time employment. Members with five years of total service are eligible for retirement benefits. Employees hired after January 1, 2013 (PEPRA) are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 (non-PEPRA) are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of service.

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 found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Contributions

Active 2% at 60 Non-PEPRA members and active 2% at 62 PEPRA plan members are required to contribute 10.25 and 9.205 percent of their salary, 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 2016-2017 was 12.58 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CalPERS

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 can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Contributions

Active 2% at 60 Non-PEPRA members and 2% at 62 PEPRA plan members are required to contribute 7.0 percent and 6.0 percent of their salary, 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016-2017 was 13.888 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 8,499,415
CalPERS	5,454,796
Total Net Pension Liability	$ 13,954,211

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 districts, actuarially determined.

The District's proportionate share of the net pension liability for each plan as of June 30, 2016 and June 30, 2017 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2016	0.0108%	0.0057%	0.0165%	0.0289%
Proportion June 30, 2017	0.0105%	0.0064%	0.0169%	0.0276%
Change in Proportion	-0.0003%	0.0007%	0.0004%	-0.0013%

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

For the year ended June 30, 2017, the District recognized CalSTRS pension expense of $1,683,032 and CalPERS pension expense of $152,533. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 689,243	$ 471,662	$ 1,160,905	$ -	$ -	$ -
Differences between actual and expected experience	-	285,008	285,008	(1,677)	-	(1,677)
Changes in assumptions	-	-	-	-	(211,366)	(211,366)
Changes in employer's proportionate share	12,205	-	12,205	(180,798)	(223,754)	(404,552)
Net difference between projected and actual earnings	2,425	1,408,773	1,411,198	-	(584,160)	(584,160)
Total	$ 703,873	$ 2,165,443	$ 2,869,316	$ (182,475)	$ (1,019,280)	$ (1,201,755)

$1,160,905 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. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows or resources will be recognized as follows:

Year ended June 30:	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	$ 694,007	$ 955,254	$ (45,843)	$ (424,306)	$ 1,179,112
2019	4,764	483,592	(45,843)	(424,306)	18,207
2020	4,764	483,592	(45,533)	(132,228)	310,595
2021	338	243,005	(45,256)	(38,440)	159,647
Total	$ 703,873	$ 2,165,443	$ (182,475)	$ (1,019,280)	$ 1,667,561

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS	PERS
Valuation date	June 30, 2015	June 30, 2015
Measurement date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	7.6%	7.65%
Investment rate of return	7.6%	7.65%
Consumer price inflation	3.0%	2.75%
Wage growth	3.75%	3.0%

CalSTR*S*

CalSTRS uses mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

CalPERS

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvements using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' assets classes, expected compound returns were calculated over the short-term (first ten 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 rounded down to the nearest one quarter or one percent.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table

CalSTRS			CalPERS			
Asset Class	Assumed Allocation 6/30/2016	Long Term Expected Return*	Asset Class	Assumed Allocation 6/30/2016	Real Return Yrs 1-10(1)	Real Return Yrs 11+(2)
Global Equity	47.00%	6.30%	Global Equity	51.00%	5.25%	5.71%
Fixed Income	12.00%	0.30%	Global Debt Sec.	20.00%	0.99%	2.43%
Real Estate	13.00%	5.20%	Inflation Assets	6.00%	0.45%	3.36%
Private Equity	13.00%	9.30%	Private Equity	10.00%	6.83%	6.95%
Absolute Return	9.00%	2.90%	Real Estate	10.00%	4.50%	5.13%
Inflation Sensitive	4.00%	3.80%	Infrastructure	2.00%	4.50%	5.09%
Cash/Liquidity	2.00%	-1.00%	Liquidity	1.00%	-0.55%	-1.05%

*20 year geometric average used for long term expected real rate of return.

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent for STRS and 7.65 percent for PERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. 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.

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 7.6 percent and 7.65 percent for STRS and PERS, respectively, 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 or 1 percentage point higher than the current rate for each plan:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 12,232,578	$ 8,138,586
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 8,499,415	$ 5,454,796
1% Increase	8.60%	8.65%
Net Pension Liability	$ 5,398,870	$ 3,220,013

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, the District had no amounts payable for contributions to the pension plan required for the year ended June 30, 2017.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement systems (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS of approximately 429,882 (8.58% of salaries subject to CalSTRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 10 – FUNCTIONAL EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net position for the year ended June 30, 2017.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Equipment, Capital Outlay	Other Outgo	Depreciation	Total
Admissions and records	$ 810,717	$ 87,468	$ 8,886			$ 907,071
Ancillary services	42,356	7,345	28,980			78,681
Community services and economic development	14,979	39,713	6,600			61,292
General institutional support services	1,469,563	553,608	110,334			2,133,505
Instructional activities	8,568,084	615,026	238,312			9,421,422
Instructional administration	440,564	43,413	24,093			508,070
Instructional support services	568,047	139,440	24,475			731,962
Physical property and acquisitions	931,968	161,874	(133,741)			960,101
Planning, policy making, coordination, general support	357,592	74,258				431,850
Plant operations and maintenance	584,551	615,532	53,745			1,253,828
Student Aid				4,861,159		4,861,159
Student services-counseling and guidance	468,777	37,720	1,361			507,858
Students services-other	1,379,033	185,945	14,008			1,578,986
Depreciation					1,366,333	1,366,333
	$ 15,636,231	$ 2,561,342	$ 377,053	$ 4,861,159	$ 1,366,333	$ 24,802,118

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grants

The District 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, in the opinion of management any required reimbursements will not be material.

Litigation

The District may be involved in various litigations 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, 2017.

Operating Leases

The District leases certain office equipment under operating leases. The leases expire in accordance with contracts through 2020 as follows:

Year Ended June 30,	Lease Payment
2018	15,173
2019	8,652
2020	2,136
	$ 25,961

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for its health and welfare benefits, workers' compensations benefits, and property/liability insurance. Refer to Note 13 for additional information regarding the JPAs.

NOTE 13 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Southern California Schools Employee Benefit Association (SCEBA) for health benefit coverage; the Southern California Schools Risk Management (SCSRM) for general liability, workers compensation and property insurance; and the Schools' Excess Liability Fund (SELF) for excess liability. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. The District's share of year-end assets, liabilities or fund equity has not been calculated. Audited financial statements are available from the respective entities.

NOTE 13 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES (CONTINUED)

During the year ended June 30, 2017, the District made the following payments to the JPAs:

	2017 **Payments**
SCEBA	$ 162,280
SCSRM	$ 68,120

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The District recorded a prior period adjustment in the amount of $2,327,735 to decrease beginning net position. The adjustment was made to reflect corrections to net pension liability and related deferred inflows and outflows.

Net Position, July 1, 2016		$ 17,381,365
Prior Period Adjustment:		
Deferred Outflows	33,671	
Deferred Inflows	311,215	
Net Pension Liability	(2,672,621)	
		(2,327,735)
Restated Net Position July 1, 2016		$ 15,053,630

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 19, 2017, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2017, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Copper Mountain Community College District

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	$ -	$ 1,252,879	$ 1,252,879	$ -	$ 8,631,136	14.52%
July 1, 2011	$ -	$ 1,768,576	$ 1,768,576	$ -	$ 8,315,324	21.27%
July 1, 2014	$ -	$ 1,723,580	$ 1,723,580	$ -	$ 8,695,253	19.82%

Copper Mountain Community College District

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

For the Three Years Ended June 30, 2017

	2015		2016		2017	
	PERS	**STRS**	**PERS**	**STRS**	**PERS**	**STRS**
District's proportion of the net pension liability (asset)	0.0300%	0.0108%	0.0290%	0.0108%	0.0276%	0.0105%
District's proportionate share of the net pension liability (asset)	$ 3,400,123	$ 6,316,669	$ 4,263,294	$ 7,300,743	$ 5,454,796	$ 8,499,415
District's covered-employee payroll	$ 3,216,439	$ 5,011,306	$ 3,344,585	$ 5,221,007	$ 3,396,184	$ 5,478,879
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	105.71%	126.05%	127.47%	139.83%	160.62%	155.13%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	76.52%	79.43%	74.02%	79.43%	74.02%

**Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown*

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

For the Three Years Ended June 30, 2017

	2015		2016		2017	
	PERS	**STRS**	**PERS**	**STRS**	**PERS**	**STRS**
Contractually required contribution	$ 378,607	$ 445,004	$ 396,233	$ 560,214	$ 471,662	$ 689,243
Contributions in relation to the contractually required contribution	378,607	445,004	396,233	560,214	471,662	689,243
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 3,216,439	$ 5,011,306	$ 3,344,585	$ 5,221,007	$ 3,396,184	$ 5,478,879
Contributions as a percentage of covered-employee payroll	11.771%	8.880%	11.847%	10.730%	13.888%	12.580%

**Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown*

SUPPLEMENTARY INFORMATION

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION STRUCTURE

June 30, 2017

Copper Mountain Community College District is a public community college operated under the Education Code of the State of California. The College began classes in 1983 as an extension of Desert Community College District. In 1999 the College became a separate District.

The College is a part of a State-wide system of community colleges jointly supported by the State and Local districts and functioning under the advisory supervision of the State Board of Governors. The Board of Trustees is the governing body of Copper Mountain Community College District, acting through the Superintendent / President of the District.

Member	Office	Term Expires
Elizabeth Meyer	President	December 2018
Eva Kinsman	Vice-President	December 2018
Mary Lombardo	Clerk	December 2020
Greg Gilbert	Trustee	December 2020
Richard Rogers	Trustee	December 2020

Administration

Member	Office
Jeff A. Cummings	Superintendent/President
Gregory Brown	Executive VP - Academic and Student Affairs
Meredith Plummer	Chief Business Officer

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster [1]:			
Federal Work Study Program (FWS)	84.033		$ 154,637
Federal Supplement Educatin Opportunity (FSEOG)	84.007		106,630
Federal Direct Student Loans (Direct Loans)	84.268		660,334
Federal Pell Grants	84.063		3,558,851
Subtotal Student Financial Assistance Cluster			4,480,452
Title II Grant - Adult Education and Family Literacy Act	84.002A		83,211
Career and Technical Education Act Passed through from the California Community Colleges Chancellor's Office			
Career & Technical Education - Perkins Grant	84.048A	12-C01-072	100,470
Total U.S. Department of Education			4,664,133
U.S. Department of Health and Human Services			
Temporary Assistance Needy Family	93.558		41,959
Total U.S. Department of Health and Human Services			41,959
Total Federal Expenditures			**$ 4,706,092**

[1] *Major Program*

See the accompanying notes to the supplementary information

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2017

	Program Revenues				Total
	Cash Received	Accounts Receivable	Unearned Income	Total	Program Expenditures
Adult Education Block Grant - AB104	1,348,800	-	700,591	648,209	648,209
Adult Education Block Grant-Data & Accountability	117,525	-	52,514	65,011	65,011
Basic Skills 15/16	54,594	-	-	54,594	54,594
Basic Skills 16/17	90,000	-	27,224	62,776	62,776
California Early Childhood Mentor	4,571	-	115	4,456	4,456
California Energy Commission ARTE	-	5,474	-	5,474	5,474
CalWorks	207,179	-	-	207,179	207,179
CDT - Child Development Training	4,010	-	931	3,078	3,078
Clean Energy	94,296	-	51,337	42,959	42,959
CTE Data Unlocked Funds	50,000	-	194	49,806	49,806
Disabled Students Programs and Services	323,730	-	-	323,730	323,730
Extended Opportunity Programs and Service	245,393	-	248	245,145	245,145
Care Program	77,458	-	61	77,397	77,397
Financial Aid	118,244	-	-	118,244	118,244
Full Time Student Success Grant	53,326	-	7,236	46,090	46,090
Instructional Equipment/Library Materials	243,025	-	68,109	174,916	174,916
Restricted Lottery	73,606	-	-	73,606	73,606
RN Grant	115,460	10,040	-	125,500	125,500
Strong Workforce Initiative	263,650	-	171,636	92,014	92,014
Student Support & Success Program - Credit	533,969	-	-	533,969	533,969
Student Support & Success Program - Non-Credit	48,680	-	26,549	22,131	22,131
Student Support & Success Program - Equity	430,888	-	56,687	374,201	374,201
Faculty & Staff Diversity	13,402	-	6,649	6,753	6,753
Total State Programs	**$ 4,511,806**	**$ 15,514**	**$ 1,170,081**	**$ 3,357,238**	**$ 3,357,238**

See the accompanying notes to the supplementary information

Copper Mountain Community College District

Schedule of Workload Measure(s) for State General Apportionment Annual (Actual) Attendance

For the Fiscal Year Ended June 30, 2017

	Reported Data
Summer Intersession (Summer 2016)	
1. Noncredit	12.75
2. Credit	72.32
Summer Intersession (Summer 2017 - Prior to July 1, 2017)	
1. Noncredit	-
2. Credit	-
Primary Terms (Exclusive of Summer Intersesion)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	965.15
(b) Daily Census Contact Hours	50.74
2. Actual Hours of Attendance	
(a) Noncredit	82.16
(b) Credit	87.04
3. Alternative Attendance Accounting Procedure Courses	
(a) Weekly Census Procedure Courses (Part V)(Credit)	130.63
(b) Daily Census Procedure Courses (Part V)(Credit)	13.05
(c) Noncredit Independent Study/Distance Eudcation Courses (Part VII.C)	-
Total FTES	**1,413.84**
Total FTES	
Total Credit FTES	1,318.93
Total Noncredit FTES	94.91
Total FTES	**1,413.84**

Supplemental Information	**FTES**
Inservice Training Courses	-
Basic Skills Courses and Immigrant Education (Noncredit)	50.96
Basic Skills Courses and Immigrant Education (Credit)	238.92

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION

For the Fiscal Year Ended June 30, 2017

		ESC 84362 A Instructionalf Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
ACADEMIC SALARIES	**Object Codes**	**Reported Data**	**Audit Adj**	**Revised Data**	**Reported Data**	**Audit Adj**	**Revised Data**
Instructional Salaries							
Contract or Regular	1100	$ 3,247,899	$ -	$ 3,247,899	$ 3,314,965	$ -	$ 3,314,965
Other	1300	1,472,187	-	1,472,187	1,487,810	-	1,487,810
Total Instructional Salaries		4,720,086	-	4,720,086	4,802,775	-	4,802,775
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	837,353	-	837,353
Other	1400	-		-	-	-	-
Total Non-Instructional Salaries		-	-	-	837,353	-	837,353
Total Academic Salaries		4,720,086	-	4,720,086	5,640,128	-	5,640,128
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	2,001,040		2,001,040
Other	2300	-	-	-	382,110		382,110
Total Non-Instructional Salaries		-	-	-	2,383,150		2,383,150
Instructional Aides							
Regular Status	2200	22,900	-	22,900	22,900		22,900
Other	2400	63,444	-	63,444	94,852		94,852
Total Instructional Aides		86,344	-	86,344	117,752		117,752
Total Classified Salaries		86,344	-	86,344	2,500,902		2,500,902
Employee Benefits	3000	1,685,458	-	1,685,458	3,065,920		3,065,920
Supplies and Materials	4000	-			120,844		120,844
Other Operating Expenses	5000	-	-	-	1,257,996		1,257,996
Equipment Replacement	6420	-			38,851		38,851
Total Expenditures Prior to Exclusions		6,491,888	-	6,491,888	12,624,641		12,624,641

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION (CONTINUED)

For the Fiscal Year Ended June 30, 2017

		ESC 84362 A Instructionalf Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object Codes	Reported Data	Audit Adj	Revised Data	Reported Data	Audit Adj	Revised Data
EXCLUSIONS							
Activities to Exclude							
Instructional Staff -							
Retirees' Benefits and Retirement	5900	-	-	-	-	-	-
Student Health Services Above Amount	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-Instructional Staff -							
Retirees' Benefits and Retirement	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	81,269	-	81,269
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-instructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials					-		-
Other Operating Expenses and Services	5000	-	-	-	225,340	-	225,340
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions				-	306,609		306,609
Total for ECS 84362, 50% Law		$ 6,491,888		$ 6,491,888	$ 12,318,032		$ 12,318,032
Percent of CEE (Instructional Salary Cost / Total CE		52.70%		52.70%	100%		100%
50% of Current Expense of Education					$ 6,159,016		$ 6,159,016

See the accompanying notes to the supplementary information

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT FUNDS (EPA)

For the Fiscal Year Ended June 30, 2017

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	**8630**				$ 1,815,534
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	0100-5900	$ 1,815,534	$ -	$ -	$ 1,815,534
Total Expenditures for EPA		$ 1,815,534	$ -	$ -	$ 1,815,534
Revenues Less Expenditures					$ -

See the accompanying notes to the supplementary information

Copper Mountain Community College District

Reconciliation of Governmental Funds to the Statement of Net Position

June 30, 2017

Total Fund Balance and Retained Earnings:		
General Funds	$ 1,161,033	
Special Revenue Funds		
Capital Outlay Projects	26,666	
Debt Service Funds	1,295,082	
Fiduciary Funds	93,429	
Total Fund Balances and Retained Earnings - All District Funds		$ 2,576,210
Position are Different Because:		
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	49,675,177	
Accumulated depreciation is	(8,532,906)	
Net Capital Assets		41,142,271
Amounts held in trust on behalf of others (Trust and Agency Funds)		(82,271)
In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt.		18,267
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(202,950)
In governmental funds, deferred inflows and deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources.		668,871
Deferred outflows and inflows of resources relating to penions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions	2,869,316	
Deferred inlows of resources relating to pensions	(1,201,755)	1,667,561

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION (CONTINUED)

June 30, 2017

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	(18,409,395)	
Net pension liability	(13,954,211)	
Compensated absences (vacations)	(117,260)	
Other postemployment benefits (OPEB)	(1,179,088)	
Total Long-Term Obligations		(33,659,954)
Total Net Position - Governmental Activities		**$ 12,128,005**

NOTE TO SUPPLEMENTARY INFORMATION

NOTE 1 – PURPOSE OF SCHEDULES

History and Organization – This schedule provides information about the District's organization, members of the governing board, and administration members.

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*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect costs of the Uniform Guidance.

Schedule of Expenditures of State Awards – The accompanying Schedule of State Financial Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance – Full-time equivalent students 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 based on various methods of accumulating attendance data.

Reconciliation of *Education Code* Section 84362 (50 percent Law) Calculation – This schedule provides the information necessary to reconcile the 50 Percent law Calculation reported on the CCFS-311 to the audited data.

Prop 30 EPA Expenditure Report – This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

Reconciliation of Governmental Funds to the Statement of Net Position – This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

OTHER INDEPENDENT AUDITORS' REPORTS

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

Independent Auditor's 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*

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

We have audited, 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, the basic financial statements of the business-type activities and the fiduciary activities of Copper Mountain Community College District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 19, 2017

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

Independent Auditors' Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance Required the Uniform Guidance

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

Report on Compliance for Each Major Federal Program

We have audited Copper Mountain Community College District's (the "District") compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

17072 Silica Drive, Suite 101 * Victorville * California 92395
(760) 241-6376 * Fax (760) 241-2011
messnerandhadley.com

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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Other Maters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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* 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, that we consider to be significant deficiencies.

Copper Mountain Community College District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs corrective action plan. The Districts response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

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.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 19, 2017

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

Independent Auditors' Report On State Compliance

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

Report on State Compliance

We have audited Copper Mountain Community College District's (the "District") compliance with the type of compliance requirements as identified in Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM) for the year ended June 30, 2017 and issued our report thereon December 19, 2017.

Management's Responsibility

Management is responsible for the compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. 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 and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Man*ual. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

17072 Silica Drive, Suite 101 * Victorville * California 92395
(760) 241-6376 * Fax (760) 241-2011
messnerandhadley.com

In connection with out audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community College Contracted District Audit Manual (CDAM):

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contract
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 429	Student Success and Support Program (SSSP)
Section 428	Student Equity
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Prop 39 Clean Energy Fund
Section 440	Intersession Extension Program
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Education Protection Account Funds

Purpose of This Report

This report is intended solely for the information and use of the District's management, the Board of Trustees, audit committee, and others within the District, the California Community Colleges Chancellor's Office and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 19, 2017

Schedule of Findings and Responses

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Code of Federal regulations, Chapter 2, Part 200, Section .510(a)?	Yes
Identification of major programs:	

CFDA Numbers	Name of Federal Program of Cluster
84.007, 84,033, 84.063, 84.038, 84.268	Student Financial Aid Cluster

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

State Awards

Internal control over State porgrams:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for State programs:	Unmodified

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

SECTION 2 - FINANCIAL STATEMENT FINDINGS

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

SECTION 3 – FEDERAL AWARDS FINDINGS AND RESPONSES

FINDING 2017.001

Student Financial Assistance Cluster
Award Year – July 1, 2016 to June 30, 2017
CFDA 84.063
Type of Finding – Significant Deficiency and Non-Compliance

Cash Management

Criteria

The U.S. Department of Education provides financial assistance funds to institutions under the advance, just-in-time, reimbursement or cash monitoring payment methods. The advance payment method permits institutions to draw down Title IV funds prior to disbursing funds to eligible students. The institutions request for funds must not exceed the amount immediately needed to disburse funds to students. The institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds. A disbursement of funds occurs on the date an institution credits a student's account or pays a student directly with either student financial assistance funds or its own funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the U.S. Department of Education. (34 CFR section 668.166 (a)(1)

Condition

The District deposited Federal Funds and did not disburse to students within the 3-day timeframe.

Questioned Costs

No questioned costs. See Context

Context

The District procedures regarding communication between the Student Services Department and the Business office created the condition of the drawdowns to be larger than the immediate need. This situation appears at the beginning of the Fall 2016 term and the Spring 2017 term.

Effect

Incident #1: The district was 4 days late to disburse 100% of drawn down funds at the start of Fall 2016.
Incident #2: The district was 16 days late to disburse funds.
Incident #3: The district was 10 days late to disburse funds.
Incident #4: The district was 16 days late to disburse 100% of drawn down funds at the start of Spring 2017.

Cause

The District did not monitor its procedures to ensure the compliance with Federal cash management requirements.

Recommendation

The college should strengthen its cash draw review and approval controls to ensure that it can detect and correct draw calculation errors in a timely manner.

SECTION 3 – FEDERAL AWARDS FINDINGS AND RESPONSES (CONTINUED)

District Response & Corrective Action Plan

In response to the finding on the Student Financial Assistance Cluster for the award year July 1, 2016 to June 30, 2017: The auditors discovered a lack of communication was occurring with the District's new personnel. Based on this, the District immediately revised its procedures for Federal cash disbursements in order to improve internal controls, communication and ensure compliance with regulations.

Copper Mountain Community College District

Schedule of Findings and Questioned costs

June 30, 2017

Section 4 - State Awards Findings

The results of our tests did not disclose any findings and questioned costs related to the state awards.

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings or questioned costs in 2015-2016.

FEDERAL AWARDS FINDINGS

2016.001 Student Financial Assistance Cluster
CFDA 84.063
Type of Finding – Significant Deficiency and Non-Compliance

Recommendation
The college should strengthen it's cash draw review and approval controls to ensure that it an detect and correct draw calculation errors in a timely manner.

Status – See 2017.001

STATE AWARDS FINDINGS

There were no state awards findings or questioned costs in 2015-2016