Copper Mountain Community College District

San Bernardino County
Joshua Tree, California

Report on Audit
June 30, 2018

Table of Contents

FINANCIAL SECTION

Messner
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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, 2018, 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.

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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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 and Note 14 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

OTHER MATTERS

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the management's discussion and analysis on pages 4 through 12, the Schedule of the District's Total OPEB Liability and Related Ratios and Notes 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, 2018, 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
January 10, 2019

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, 2018. 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, 2018**.** 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

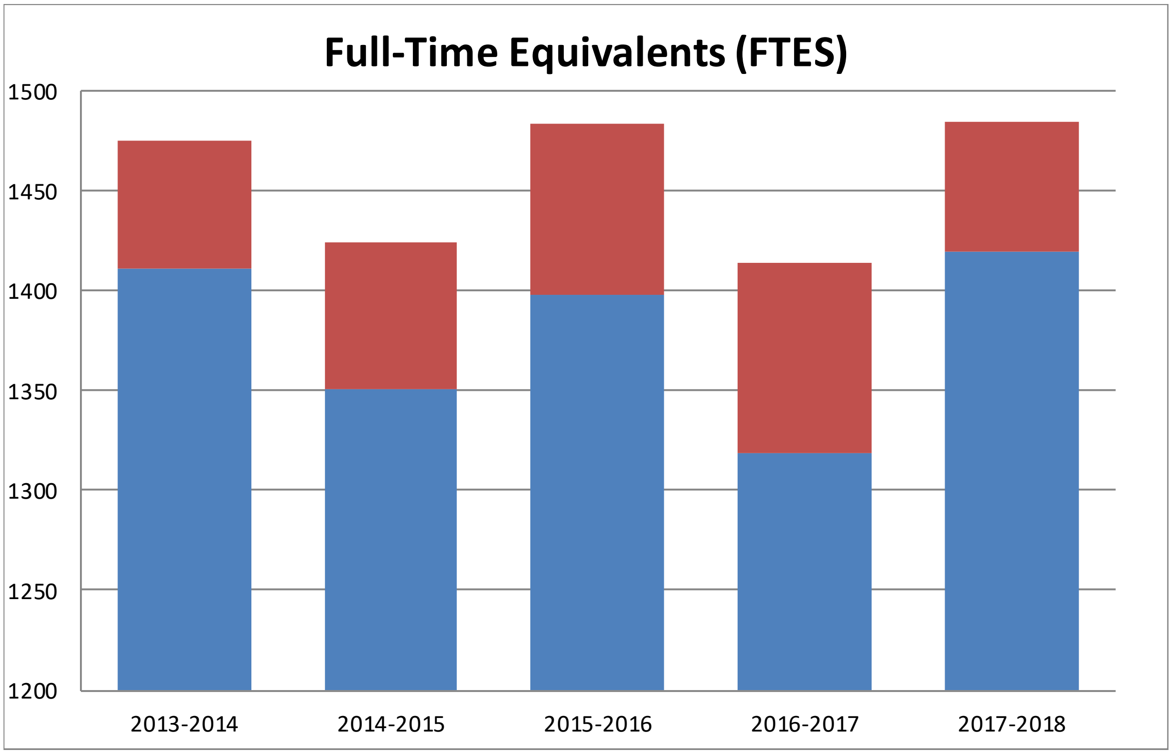
This section provides condensed information for each of the three basic financial statements, as well as illustrative charts and tables.

During 2017-2018, the District experienced an increase in enrollment of 4.95%. 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
2013-2014	1411	64
2014-2015	1351	73
2015-2016	1398	85
2016-2017	1319	95
2017-2018	1419	65

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



During fiscal year 2017-2018, total full-time equivalents students (FTES) increased approximately 7.58% for credit courses and decreased 31.58% 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.

	2018	2017	Net Change
Assets			
Current assets	$ 4,910,090	$ 5,544,495	$ (634,405)
Non-current assets	41,020,536	41,142,271	(121,735)
Total Assets	**45,930,626**	**46,686,766**	**(756,140)**
Deferred outflows of resources			
Deferred loss on refunding	601,985	668,871	(66,886)
Deferred outflows - pensions only	4,878,226	2,869,316	2,008,910
Total Deferred Outflows of Resources	5,480,211	3,538,187	1,942,024
Liabilities			
Current liabilities	3,298,421	3,690,241	(391,820)
Non-current liabilities	34,474,977	33,204,953	1,270,024
Total Liabilities	**37,773,398**	**36,895,194**	**878,204**
Deferred outflows of resources			
Deferred inflows - pensions only	1,803,015	1,201,755	601,260
Net Position			
Invested in capital assets, net of related debt	23,155,458	22,732,877	422,581
Restricted	278,385	1,258,753	(980,368)
Unrestricted	(11,599,419)	(11,863,625)	264,206
Total Net Position	**$ 11,834,424**	**$ 12,128,005**	**$ (293,581)**

- 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 $538,830, is from Federal and State sources for grant and entitlement programs.
- Capital assets had a net balance of $41,020,536. Depreciation expense of $1,395,637 was recognized during 2017-2018.
- Accounts payable in the amount of $1,477,990 are amounts due as of the fiscal year-end for goods and services received as of June 30, 2018. The District also recorded $1,157,816 of unearned revenues.
- The District currently has $35,137,592 in outstanding debt. Of this amount, $662,615 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 $23,155,458.

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, 2017 and 2018:

	2018	2017	Net Change
Revenues			
Operating	$ 10,714,845	$ 9,388,194	$ 1,326,651
Non-operating	14,306,177	13,205,692	1,100,485
Total Revenues	**25,021,022**	**22,593,886**	**2,427,136**
Expenses			
Operating	24,655,328	24,802,116	(146,788)
Non-operating	679,399	717,397	(37,998)
Total Expenses	**25,334,727**	**25,519,513**	**(184,786)**
Change in Net Position	**(313,705)**	**(2,925,627)**	**2,611,922**
Net Position - Beginning	12,128,003	17,381,365	(5,253,362)
Adjustments for restatements/prior period adjustments	20,126	(2,327,735)	2,347,861
Net Position - Ending	**$ 11,834,424**	**$ 12,128,003**	**$ (293,579)**

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 decrease in tuition and fees of $52,390 and an increase in grant revenue of $1,379,041 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 decreased by $146,788. The increase is comprised of three parts: 1) salaries and benefits decreased by $144,498; 2) supplies, maintenance, and other operating expense decreased by $430,235; and 3) payments to students increased by $427,945.

Operating expenses are 62% 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 30,2018 and 2017 is shown below.

	2018	2017	Net Change
Cash used in operating activities	$ (12,748,240)	$ (11,542,546)	$ (1,205,694)
Cash provided by non-capital financing	14,289,747	13,262,778	1,026,969
Cash used by capital financing	(2,362,308)	(1,294,148)	(1,068,160)
Cash provided by investing activities	45,212	29,378	15,834
Total cash used	(775,589)	455,462	(1,231,051)
Cash - Beginning	**5,099,623**	**4,644,161**	**455,462**
Cash - Ending	**$ 4,324,034**	**$ 5,099,623**	**$ (775,589)**

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 $12,748,240; cash flow from non-capital financing activities increased by $1,026,969; 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 $2,362,308. Cash provided by investment activities equaled $45,212.

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, 2018 the District had total capital assets of $50.9 million consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office equipment. The related accumulated depreciation was $9.9 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:

	2018	2017	Net Change
Land, infrastructure and construction in progress	$ 15,402,196	$ 15,317,821	$ 84,375
Buildings and equipment	35,512,673	34,357,356	1,155,317
Accumulated depreciation	(9,894,333)	(8,532,906)	(1,361,427)
Total Capital Assets	**$ 41,020,536**	**$ 41,142,271**	**$ (121,735)**

LONG-TERM LIABILITIES

At June 30, 2018, the District had $17.2 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 $1.3 million in post-employment benefits costs and accrued vacation pay. Finally, the District has approximately $15.9 million in pension liabilities. See the notes to the financial statements for additional information.

	2018	2017	Net Change
Bonds payable	$ 17,202,463	$ 17,954,398	$ (751,935)
OPEB Liability	1,292,736	1,253,737	38,999
Compensated absences	116,239	117,260	(1,021)
Net pension liability	15,863,539	13,954,211	1,909,328
Total Long-Term Liabilities	**$ 34,474,977**	**$ 33,279,606**	**$ 1,195,371**

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

On January 10, Governor Newsom released his budget proposal for the 2019-20 fiscal year. The proposal includes $246 million in new spending for the California Community College system in 2019-20 compared to the revised 2018-19 level. Also included are a cost-of-living adjustment (COLA) of 3.46%, $40 million in funding to expand the California College Promise and $10 million in one-time funds to begin planning, and support the initial costs of, a new statewide longitudinal student data system.

Forecasts show that 2019 will be a year of transitions. Slower global growth and the fading of financial liquidity will require a more balanced and diversified approach to investing as we enter the next phase of this long expansion. However, inflation is expected to remain contained. While the global expansion is set to slow down and risks are emerging, a global or US recession is not expected in 2019.

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, 2018

Assets		
Current assets:		
Cash and cash equivalents	$	4,324,034
Accounts receivable		538,830
Other assets		47,226
Non-current assets		
Fixed assets, net		41,020,536
Total Assets		**45,930,626**
Deferred Outflows of Resources		
Deferred loss on refunding		601,985
Deferred outflows of resources - pensions only		4,878,226
Total deferred outflows of resources		**5,480,211**
Liabilities		
Current liabilities:		
Accounts payable		1,477,990
Unearned revenue		1,157,816
Current portion of long-term debt		662,615
Total current liabilities		**3,298,421**
Non-current liabilities		34,474,977
Total Liabilities		**37,773,398**
Deferred Inflows of Resources		
Deferred inflows of resources - pensions only		1,803,015
Net Position		
Invested in capital assets		23,155,458
Restricted		278,385
Unrestricted		(11,599,419)
Total Net Position	$	11,834,424

The accompanying notes are an integral part of these financial statements

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2018

OPERATING REVENUES	
Tuition and fees	$ 1,641,830
Less: Scholarship discounts and allowances	(1,383,258)
Net tuition and fees	258,572
Grants and contracts:	
Federal	5,280,860
State	4,631,076
Local	544,337
Total Operating Revenues	10,714,845
OPERATING EXPENSES	
Salaries	10,640,993
Benefits	4,850,740
Payments to students	5,289,104
Supplies, materials, and other expenses	2,113,896
Other Operating Expenses	364,958
Depreciation	1,395,637
Total Operating Expenses	24,655,328
OPERATING INCOME/(LOSS)	(13,940,483)
NON-OPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	10,974,543
Local property taxes	2,694,415
State taxes and other revenues	591,112
Investment income - non-capital	45,800
Investment income - capital	307
Interest expense - capital asset-related debt	(679,399)
Total non-operating revenues	13,626,778
CHANGE IN NET POSITION	(313,705)
Net Position - Beginning	12,128,003
Prior period restatement	20,126
Net Position - Beginning, as restated	12,148,129
Net Position - Ending	$ 11,834,424

The accompanying notes are an integral part of these financial statements

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT

For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Tuition and fees	$ 266,341
Federal grants and contracts	5,269,606
State grants and contracts	4,025,169
Local grants and contracts	508,693
Payments to suppliers	(1,562,138)
Payments to/on-behalf of employees	(15,970,731)
Student loans/grants and other Program expenses	(5,285,180)
Net cash provided by (used in) operating activities	(12,748,240)
Cash Flows from Non-capital Financing Activities	
State apportionments and receipts	10,974,543
State taxes and other revenues	591,112
Property taxes	2,724,092
Net cash provided by (used in) non-capital financing activities	14,289,747
Cash Flows from Capital Financing Activities	
Purchases of capital assets	(1,273,902)
Interest paid on capital debt	(475,791)
Principal paid on capital debt	(612,615)
Net cash provided by (used in) capital financing activities	(2,362,308)
Cash Flows from Investing Activities	
Interest on investments	45,212
Net cash provided by (used in) investing activities	45,212
Net Increase/(Decrease) In Cash	(775,589)
Cash and Cash Equivalents	
Beginning of year	5,099,623
End of year	$ 4,324,034

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT (CONTINUED)

For the Year Ended June 30, 2018

Reconciliation of operating loss to cash used in operating activities	
Operating Profit or (loss)	$ (13,940,483)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation and amortization	1,395,637
Pension expense	501,678
(Increase) decrease in accounts and notes receivable	(156,883)
(Increase) decrease in prepaids	(13,082)
Increase (decrease) in accounts payable	(100,162)
Increase (decrease) in unearned revenues	(491,692)
Increase (decrease) in other liabilities	56,747
Net cash used in operating activities	**$ (12,748,240)**

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2018

	ASB Trust Fund	Scholarship and Loan Trust Fund
Assets		
Cash and cash equivalents	$ 45,599	$ 32,573
Total Assets	$ 45,599	$ 32,573
Liabilities		
Due to student groups	$ 45,599	$ -
Total Liabilities	45,599	-
Net Position		
Restricted	-	32,573
Total Net Position	-	32,573
Liabilities and Net Position	$ 45,599	$ 32,573

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2018

	ASB Trust Fund	Scholarship and Loan Trust Fund
Additions		
Student activities	$ 25,785	$ 46,994
Deductions		
Student activities	29,648	47,230
Change in Net Position	(3,863)	(236)
Net Position - Beginning	49,462	32,809
Net Position - Ending	**$ 45,599**	**$ 32,573**

The accompanying notes are an integral part of these financial statements

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, 2018, 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)

Capital Assets and Depreciation (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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (continued)

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.

- **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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

- **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, 2018.

Scholarships, Discounts and Allowances

Student tuition and fee revenues and certain other revenues are reported, net of scholarships and allowances 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).

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measures by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions, establishes new accounting and financial reporting requirements for OPEB plans.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Principles (continued)

The District has implemented provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. 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 has implemented provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January, 2017 the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were 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 of 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, and a lessor is required to recognize a lease receivable and a deferred

Note 2 – Summary Of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments", which is intended to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments, as of June 30, 2018, consist of the following:

Business-type activities	$	4,324,034
Fiduciary funds		78,172
Total Deposits and Investments	**$**	**4,402,206**
Cash on hand and in banks		127,755
Cash in revolving		10,000
Cash in County Treasury		4,264,451
Total Deposits and Investments	**$**	**4,402,206**

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, 2018, 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, 2018**,** consist of the following and are considered collectable in full:

	2018	2017
Federal	$ 132,758	$ 121,504
State	269,700	160,740
Local	135,476	128,484
Interest	896	-
	$ 538,830	**$ 410,728**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ending June 30, 2018:

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 264,667	$ -	$ -	$ 264,667
Construction in progress	98,867	-	41,266	57,601
Total capital assets not being depreciated	363,534	-	41,266	322,268
Capital assets being depreciated:				
Land improvements	14,954,287	125,641	-	15,079,928
Buildings and improvements	30,338,667	864,948	-	31,203,615
Furniture and equipment	4,018,689	324,579	34,210	4,309,058
Total capital assets being depreciated	49,311,643	1,315,168	34,210	50,592,601
Less accumulated depreciation:				
Land improvements	1,496,012	722,601	-	2,218,613
Buildings and improvements	4,248,582	339,872	-	4,588,454
Furniture and equipment	2,788,312	333,164	34,210	3,087,266
Total accumulated depreciation	8,532,906	1,395,637	34,210	9,894,333
Capital Assets, net	**$41,142,271**	**$ (80,469)**	**$ 41,266**	**$41,020,536**

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, 2018, is shown below:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year	Long-term Portion
Governmental Activities						
General Obligation Bonds						
Series C	$ 4,485,220	$ -	$ 157,615	$ 4,327,605	$ 157,615	$ 4,169,990
Refunding	12,145,000	-	455,000	11,690,000	505,000	11,185,000
Accreted Interest	1,282,962	175,362	72,668	1,385,656	-	1,385,656
Premiums	496,212	-	34,395	461,817	-	461,817
Net pension liability	13,954,211	1,909,328	-	15,863,539	-	15,863,539
OPEB	1,158,962	133,774	-	1,292,736	-	1,292,736
Accumulated vacation	117,260	-	1,021	116,239	-	116,239
Totals	**$ 33,639,827**	**$ 2,218,464**	**$ 720,699**	**$ 35,137,592**	**$ 662,615**	**$ 34,474,977**

Bonded Debt

The outstanding bonded debt of the District, at June 30, 2018**,** 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	$ 4,485,220	$ -	$ 157,615	$ 4,327,605
8/1/2031	$ 13,510,000	$ 12,145,000	$ -	$ 455,000	$ 11,690,000

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**
2019	$ 662,615	$ 541,110	$ 1,203,725
2020	714,463	528,025	1,242,488
2021	770,721	519,823	1,290,544
2022	818,030	503,346	1,321,376
2023	880,338	490,749	1,371,087
2024-2028	5,368,150	2,189,849	7,557,999
2029-2033	5,803,288	2,348,077	8,151,365
2034-2038	1,000,000	20,750	1,020,750
Total	**$ 16,017,605**	**$ 7,141,729**	**$ 23,159,334**

Compensated Absences

Accumulated unpaid employee vacation benefits, as of June 30, 2018**,** are $117,260.

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

Plan Description

The District offers post-employment medical insurance to its eligible retirees. Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees Medical and Hospital Care Act (PEMHCA). Eligible retirees can choose from the PERSCare and PERSChoice PPOs.

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

The District pays the full cost for the employee and/or dependent coverage under the above plans for eligible retirees.

The District offers the same medical plans to its retirees as to its active employees, with the general exception that once a retiree become eligible for Medicare (that is, reaches age 65), he or she must join a Medicare Supplement PPO, with Medicare becoming the primary payor. The District does not contribute to dental and vision insurance for retirees.

Employees become eligible to receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service or upon disability before age 50. Benefits are paid for the lifetime of the retiree. Employees are eligible for full retirement benefits at age 55. Employees hired on or after January 1, 2013, and who are not defined as "classic employees" by CalPERS, are eligible for full retirement benefits at age 62.

Employees covered by benefit terms

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan:

Active employees	82
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to; but not yet receiving benefits	-
Total	84

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

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount rate	3.8%
Healthcare trend rate	4.0%
Salary increases	2.75% per annum, in aggregate
Investment rate of return	3.8%
Pre-retirement mortality rate	
Certificated	2009 CalSTRS Mortality
Classified	2014 CalPERS Active Mortality for Miscellanous Employees
Post-retirement mortality rate	
Certificated	2009 CalSTRS Retirement Rates
Classified	Hired Before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired After 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @60 adjusted to minimum retirement age of 52

Discount Rate

The discount rate used to measure the total OPEB liability was 3.8% which was based on the Bond Buyer 20-bond General Obligation Index.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the OPEB plan are as follows:

Total OPEB Liability	
Service cost	146,349
Interest (on the total OPEB liability)	45,639
of employee contributions	(58,214)
Net change in Total OPEB Liability	133,774
Total OPEB Liability-beginning	1,158,962
Total OPEB Liability-ending	$ 1,292,736

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

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

The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.80 percent) or 1 percentage point higher (4.80 percent) than the current discount rate:

	1% Decrease (2.8%)	Current Rate (3.8%)	1% Increase (4.8%)
Net OPEB Liability (asset)	$ 1,411,265	$ 1,292,736	$ 1,192,594

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $133,774. At June 30, 2018, the District's did not have any deferred outflows or resources and deferred inflows of resources related to OPEB.

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	$ 9,503,868	$ 2,950,113	$ (1,067,705)	$ 1,828,066
CalPERS	6,359,671	1,928,113	(735,310)	1,439,296
	$ 15,863,539	$ 4,878,226	$ (1,803,015)	$ 3,267,362

CalSTRS

Plan Description

Copper Mountain Community College District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALSTRS (CONTINUED)

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

This STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

CalSTRS' provisions and benefits in effect at June 30, 2018, are summarized as follows:

Employer Rate Plans

Plan name	**Classic**	**PEPRA**
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as of % of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rates	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $823,614.

NOTE 9 – Employee Retirement Systems (continued)

CalSTRS (continued)

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

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

	Proportionate Share of Net Pension Liability
Copper Mountain Community College District proportionate share of net pension liability	$9,503,868
State's proportionate share of net pension liability	$5,622,408
Total net pension liability	$15,126,276

The net pension liability was measured as of June 30, 2017. Copper Mountain Community College District's proportion of the net pension liability was based on a projection of Copper Mountain Community College District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined.

The Copper Mountain Community College District's proportionate share percentage of the net pension liability was as follows:

	Proportionate Share Percentage of Net Pension Liability
Proportion at measurement date – June 30, 2016	0.010509%
Proportion at measurement date – June 30, 2017	0.010277%
Change – increase (decrease)	(0.000232)%

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALSTRS (CONTINUED)

For the year ended June 30, 2018, the Copper Mountain Community College District recognized pension expense of $1,828,066. At June 30, 2018, the Copper Mountain Community College 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
Differences between Expected and Actual Experience	$35,146	($1,032)
Changes of Assumptions	1,760,677	-
Net Difference between Projected and Actual Earnings on Pension Plan	-	(931,075)
Adjustment due to Differences in	110,960	(135,598)
Differences between Actual and Required Contributions	219,716	-
Contributions after Measurement Date	823,614	-
Total	**$2,950,113**	**($1,067,705)**

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2018	$78,783
2019	79,093
2020	74,944
2021	119,863
2022	353,063
Thereafter	353,048
Total	**1,058,794**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALSTRS (CONTINUED)

Actuarial Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase (1)	Varies By Age & Length of Service
Investment Rate of Return (2)	7.10%
Mortality Rate Table (3)	Custom

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) For active employees, mortality is based on the RP-2014 White Collar Employee mortality table set back 2 years. For retirees, mortality is based on the 2016 CalSTRS mortality table for retirees. For disabled participants, mortality is based on the RP-2014 Disabled Retiree mortality table set back 2 years. All tables use 110% of the MP-2016 Ultimate Projection Scale. The combined base tables and projection scale specified contain a margin for expected future mortality improvement.

Discount Rate

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

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALSTRS (CONTINUED)

portfolio is re-balanced annually and that the annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return
Global Equity	47.0%	6.3%
Fixed Income	12.0	0.3
Real Estate	13.0	5.2
Private Equity	13.0	9.3
Absolute Return/Risk Mitigating Strategies	9.0	2.9
Inflation Sensitive	4.0	3.8
Cash/Liquidity	2.0	(1.0)

Sensitivity of the Copper Mountain Community College District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Copper Mountain Community College District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Copper Mountain Community College 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:

	Discount Rate -1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
Copper Mountain Community College District's proportionate share of the School Risk Pool's net pension liability	$13,954,847	$9,503,868	$5,891,784

CalPERS

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

The Plan consists of a school pool (referred to as "risk pool"), which is comprised of individual employer rate plans, including those of the Copper Mountain Community College District.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

Employer Rate Plans in the School Risk Pool

Plan name	**Classic**	**PEPRA**
Hire Date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as of % of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rates	7.00%	6.5%
Required employer contribution rates	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Copper Mountain Community College District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Copper Mountain Community College District's contributions to the risk pools in the Plan for the year ended June 30, 2018, were as follows:

	Contributions
Total School Risk Pool contributions	$534,440

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

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

As of June 30, 2018, Copper Mountain Community College District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Proportionate Share of Net Pension Liability
Total net pension liability	$6,359,671

* The proportionate share of the total NPL to each of the enterprise and internal service funds is not being allocated because it is deemed to have an immaterial effect on the financial statements.

The Copper Mountain Community College District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The Copper Mountain Community College District's proportionate share of the net pension liability as of June 30, 2016, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2016. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The Copper Mountain Community College District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Copper Mountain Community College District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The Copper Mountain Community College District's proportionate share of the net pension liability as of June 30, 2017, the measurement date, was calculated as follows:

> Each risk pool's total pension liability was computed at the measurement date, June 30, 2017, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2017, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2017, was calculated by applying Copper Mountain Community College District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2017, to obtain the total pension liability and fiduciary net position as of June 30, 2017. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The Copper Mountain Community College District's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2016, and June 30, 2017, was as follows:

	School Risk Pool
Proportion at measurement date – June 30, 2016	0.027619%
Proportion at measurement date – June 30, 2017	0.026640%
Change – increase (decrease)	(0.000979)%

For the year ended June 30, 2018, the Copper Mountain Community College District recognized pension expense of $1,439,296. At June 30, 2018, the Copper Mountain Community College 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**
Differences between Expected and Actual Experience	$256,404	$-
Changes of Assumptions	920,976	(100,120)
Net Difference between Projected and Actual Earnings on Pension Plan	216,293	-
Adjustment due to Differences in	-	(281,846)
Differences between Actual and Required Contributions	-	(353,344)
Contributions after Measurement Date	534,440	-
Total	**$1,928,113**	**($735,310)**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2018	$119,862
2019	411,940
2020	247,032
2021	(120,471)
2022	0
Thereafter	0
Total	**658,363**

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	School Risk Pool
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase (1)	Varies By Age & Length of Service
Investment Rate of Return (2)	7.50%
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2017 based on June 30, 2016 Valuations,* that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.
In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (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 the Plan. 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 of one percent.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 [(a)]	Real Return Years 11+[(b)]
Global Equity	47.0%	4.9%	5.38%
Global Fixed Income	19.0	0.8	2.27
Inflation Sensitive	6.0	0.6	1.39
Private Equity	12.0	6.6	6.63
Real Estate	11.0	2.8	5.21
Infrastructure and Forestland	3.0	3.9	5.36
Liquidity	2.0	(0.4)	(0.9)

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Copper Mountain Community College District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Copper Mountain Community College District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Copper Mountain Community College 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:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Copper Mountain Community College District's proportionate share of the School Risk Pool's net pension liability	$9,357,114	$6,359,671	$3,873,041

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.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 459,951 (9.328% 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, 2018.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Equipment, Capital Outlay	Other Outgo	Depreciation	Total
Admissions and records	$ 695,357	$ 38,228	$ -			$ 733,585
Ancillary services	81,505	99,393	19,320			200,218
Auxilliary operations		1,804	3,508			5,312
Auxilliary operations						-
Community services and economic development	15,742	20,914	46,838			83,494
General institutional support services	1,554,062	704,063	25,246			2,283,371
Instructional activities	7,971,215	442,394	1,159,857			9,573,466
Instructional administration	436,136	42,740	34,363	-		513,239
Instructional support services	616,287	131,454	12,806			760,547
Physical property and acquisitions	988,889	214,117	(1,273,901)			(70,895)
Planning, policy making, coordination, general support	398,087	50,070	303			448,460
Plant operations and maintenance	630,182	562,886	98,414			1,291,482
Student Aid				5,289,104		5,289,104
Student services-counseling and guidance	585,946	37,343	-			623,289
Students services-other	1,518,325	133,448	7,660			1,659,433
Depreciation					1,395,637	1,395,637
	$ 15,491,733	**$ 2,478,854**	**$ 134,414**	**$ 5,289,104**	**$ 1,395,637**	**$ 24,789,742**

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, 2018.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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
2019	68,579
2020	63,436
2021	46,630
2022	9,885
2023	944
	$ 189,474

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, 2018, the District made the following payments to the JPAs:

	2018 **Payments**
SCEBA	$ 160,115
SCSRM	$ 98,376

NOTE 14 – RESTATEMENT OF PRIOR YEAR NET POSITION

The Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

Net Position as previously reported at June 30, 2017		$ 12,128,003
GASB No. 75 Implementation		
Total OPEB obligation measured under previous standards	1,179,088	
Total OPEB obligation at June 30, 2017	(1,158,962)	
		20,126
Net Position as restated, July 1, 2017		$ 12,148,129

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 10, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2018, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2018

	Plan Year Ended June 30, 2018
Total OPEB Liability	
Service cost	146,349
Interest (on the total OPEB liability)	45,639
of employee contributions	(58,214)
Net change in Total OPEB Liability	133,774
Total OPEB Liability-beginning	1,158,962
Total OPEB Liability-ending	$ 1,292,736
Covered Employee Payroll	$ 8,600,726
Total OPEB Liability as a Percentage of Covered Employee Payroll	15.03%

*Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no significant changes in benefit terms.

Copper Mountain Community College District

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

For the Four Years Ended June 30, 2018

	Measurement Date June 30,							
	2014		2015		2016		2017	
	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS
District's proportion of the net pension liability (asset)	0.029951%	0.010809%	0.029000%	0.010844%	0.027619%	0.010509%	0.026640%	0.010277%
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	$ 6,359,671	$ 9,503,868
District's covered-employee payroll	$ 3,216,439	$ 5,011,306	$ 3,344,585	$ 5,221,007	$ 3,396,184	$ 5,478,879	$ 3,236,223	$ 5,364,503
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%	196.52%	177.16%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	76.52%	79.43%	74.02%	79.43%	74.02%	71.87%	69.46%

**2014 was the 1st year of implementation, therefore only four years are shown*

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

For the Four Years Ended June 30, 2018

	2015		2016		2017		2018	
	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS
Contractually required contribution	$ 378,607	$ 445,004	$ 396,233	$ 560,214	$ 471,662	$ 689,243	$ 534,590	$ 823,614
Contributions in relation to the contractually required contribution	378,607	445,004	396,233	560,214	471,662	689,243	534,590	823,614
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	$ 3,236,223	$ 5,364,503
Contributions as a percentage of covered-employee payroll	11.771%	8.880%	11.847%	10.730%	13.888%	12.580%	16.519%	15.353%

**2014 was the 1st year of implementation, therefore only four years are shown*

SUPPLEMENTARY INFORMATION

Copper Mountain Community College District

History and Organization Structure

June 30, 2018

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	Trustee	December 2018
Mary Lombardo	Trustee	December 2020
Greg Gilbert	Vice-President	December 2020
Richard Rogers	Clerk	December 2020

Administration

Member	Office
Jeff A. Cummings	Superintendent/President
Jacob Kevari	Director of Institutional Effectiveness & Chief Instructional Officer-Interim
Meredith Plummer	Chief Business Officer

Copper Mountain Community College District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

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		$ 165,558
Federal Supplement Educatin Opportunity (FSEOG)	84.007		91,051
Federal Direct Student Loans (Direct Loans)	84.268		582,909
Federal Pell Grants	84.063		3,781,972
Subtotal Student Financial Assistance Cluster			4,621,490
Title II Grant - Adult Education and Family Literacy Act	84.002A		59,876
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	100,222
Total U.S. Department of Education			4,781,588
U.S. Department of Health and Human Services			
Temporary Assistance Needy Family	93.558		41,422
Total U.S. Department of Health and Human Services			41,422
Total Federal Expenditures			**$ 4,823,010**

[1] *Major Program*

Copper Mountain Community College District

Schedule of Expenditures of State Awards

For the Year Ended June 30, 2018

	Program Revenues				Total
	Cash Received	Accounts Receivable	Unearned Income	Total	Program Expenditures
Adult Education Block Grant - AB104	1,473,607	-	16,237	1,457,370	1,457,370
Adult Education Block Grant-Data & Accountability	52,514	-	6,968	45,546	45,546
Basic Skills Initiative 17/18	100,000	-	33,790	66,210	66,210
Basic Skills Initiative 16/17	27,224	-	-	27,224	27,224
California Early Childhood Mentor	4,365	-	816	3,549	3,549
California Energy Commission ARTE	120,877	6,963	-	127,840	127,840
CalWorks	209,977	-	-	209,977	209,977
CDT - Child Development Training	4,631	-	1,010	3,622	3,622
Clean Energy	102,090	-	23,287	78,803	78,803
Completion Grant	28,500			28,500	28,500
Campus Safety & Sexual Assualt Prevention	11,639		11,639	-	-
Dreamer Act	5,960			5,960	5,960
CTE Data Unlocked Funds	49,806	-	34,900	14,906	14,906
Disabled Students Programs and Services	319,346	-	-	319,346	319,346
Extended Opportunity Programs and Service	262,862	-	-	262,862	262,862
Care Program	85,707	-	5,025	80,682	80,682
Financial Aid	121,169	-	-	121,169	121,169
Full Time Student Success Grant	110,736	-	-	110,736	110,736
Hunger Free Campus Program	3,139		2,387	752	752
Guided Pathways Year 1	125,000		125,000	-	-
Phys Plant/Instructional Support Grant	159,105		96,436	62,669	62,669
Restricted Lottery	45,523	22,877	-	68,400	68,400
RN Grant	-	125,500	-	125,500	125,500
Strong Workforce Initiative-Local	333,088	-	288,506	44,582	44,582
Strong Workforce Initiative-Regional	84,818	31,341		116,159	116,159
Student Support & Success Program - Credit	469,807	-	-	469,807	469,807
Student Support & Success Program - Non-Credit	71,457	-	25,980	45,477	45,477
Student Support & Success Program - Equity	322,116	-	53,131	268,985	268,985
Faculty & Staff Diversity	56,649	-	34,883	21,766	21,766
Total State Programs	**$ 4,761,712**	**$ 186,681**	**$ 759,995**	**$ 4,188,399**	**$ 4,188,399**

Copper Mountain Community College District

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

For the Fiscal Year Ended June 30, 2018

	Reported Data
Summer Intersession (Summer 2017)	
1. Noncredit	11.30
2. Credit	109.95
Summer Intersession (Summer 2018 - Prior to July 1, 2018)	
1. Noncredit	-
2. Credit	-
Primary Terms (Exclusive of Summer Intersesion)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	940.80
(b) Daily Census Contact Hours	76.44
2. Actual Hours of Attendance	
(a) Noncredit	54.13
(b) Credit	80.44
3. Alternative Attendance Accounting Procedure Courses	
(a) Weekly Census Procedure Courses (Part V)(Credit)	185.90
(b) Daily Census Procedure Courses (Part V)(Credit)	25.03
(c) Noncredit Independent Study/Distance Eudcation Courses (Part VII.C)	-
Total FTES	**1,483.99**
Total FTES	
Total Credit FTES	1,418.56
Total Noncredit FTES	65.43
Total FTES	**1,483.99**

Supplemental Information	**FTES**
Inservice Training Courses	-
Basic Skills Courses and Immigrant Education (Noncredit)	24.96
Basic Skills Courses and Immigrant Education (Credit)	227.37

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

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

For the Fiscal Year Ended June 30, 2018

		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	$ 3,276,547	$ -	$ 3,276,547	$ 3,276,547	$ -	$ 3,276,547
Other	1300	1,438,833	-	1,438,833	1,438,833	-	1,438,833
Total Instructional Salaries		4,715,380	-	4,715,380	4,715,380	-	4,715,380
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	819,837	-	819,837
Other	1400	-		-	76,900	-	76,900
Total Non-Instructional Salaries		-	-	-	896,737	-	896,737
Total Academic Salaries		4,715,380	-	4,715,380	5,612,117	-	5,612,117
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	2,193,226		2,193,226
Other	2300	-	-	-	295,554		295,554
Total Non-Instructional Salaries		-	-	-	2,488,780		2,488,780
Instructional Aides							
Regular Status	2200	3,313	-	3,313	3,313		3,313
Other	2400	61,156	-	61,156	95,317		95,317
Total Instructional Aides		64,469	-	64,469	98,630		98,630
Total Classified Salaries		64,469	-	64,469	2,587,410		2,587,410
Employee Benefits	3000	1,757,010	-	1,757,010	3,203,779		3,203,779
Supplies and Materials	4000	-			145,109		145,109
Other Operating Expenses	5000	-	-	-	1,270,927		1,270,927
Equipment Replacement	6420	-			26,357		26,357
Total Expenditures Prior to Exclusions		6,536,859	-	6,536,859	12,845,699		12,845,699

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION (CONTINUED)
For the Fiscal Year Ended June 30, 2018

		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	-	-	-	80,608	-	80,608
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	-	-	-	216,036	-	216,036
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions				-	296,644		296,644
Total for ECS 84362, 50% Law		$ 6,536,859		$ 6,536,859	$ 12,549,055		$ 12,549,055
Percent of CEE (Instructional Salary Cost / Total CE		52.09%		52.09%	100%		100%
50% of Current Expense of Education					$ 6,274,528		$ 6,274,528

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund
Fund Balance	
June 30, 2018 Annual Financial and Budget Report (Form CCFS-311) Fund Balances	$ 1,163,005
Adjustments and reclassifications increasing/ (decreasing) fund balance:	
Cash awaiting deposit	32,066
Deferred revenue	(32,066)
Net adjustments and reclassifications	-
Audited financial statements fund balance	$ 1,163,005

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT FUNDS (EPA)

For the Fiscal Year Ended June 30, 2018

Activity Classification	**Object Code**			Unrestricted	
EPA Proceeds:	**8630**				$ 1,819,262
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	0100-5900	$ 1,819,262	$ -	$ -	$ 1,819,262
Total Expenditures for EPA		$ 1,819,262	$ -	$ -	$ 1,819,262
Revenues Less Expenditures					$ -

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Fund Balance and Retained Earnings:		
General Funds	$ 1,163,006	
Special Revenue Funds		
Capital Outlay Projects	26,973	
Debt Service Funds	1,245,032	
Fiduciary Funds	95,689	
Total Fund Balances and Retained Earnings - All District Funds		$ 2,530,700
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	50,914,869	
Accumulated depreciation is	(9,894,333)	
Net Capital Assets		41,020,536
Amounts held in trust on behalf of others (Trust and Agency Funds)		(78,172)
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.		17,125
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.		(195,369)
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.		601,985
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	4,878,226	
Deferred inlows of resources relating to pensions	(1,803,015)	3,075,211

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

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

June 30, 2018

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	(17,865,078)	
Net pension liability	(15,863,539)	
Compensated absences (vacations)	(116,239)	
Other postemployment benefits (OPEB)	(1,292,736)	
Total Long-Term Obligations		(35,137,592)
Total Net Position - Governmental Activities		**$ 11,834,424**

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.

The District does not provide Federal awards to subrecipients during the year ended June 30, 2018.

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2019.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of Findings and questioned costs that we consider to be significant deficiencies. See finding 2018-001.

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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*.

RESPONSE TO FINDING

Copper Mountain Community College District (The "District") response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
January 10, 2019

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, 2018. 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.

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.

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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, 2018.

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, material weaknesses may exist that have not been identified.

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
January 10, 2019

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, 2018 and issued our report thereon January 10, 2019.

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 2017-18 Contracted *District Audit Manual*.

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, 2018.

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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 444	Apprenticeship Related and Supplemental Instruction Funds
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
January 10, 2019

SCHEDULE OF FINDINGS AND RESPONSES

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

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?	Yes
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?	None Reported
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)?	No
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

SECTION 2 - FINANCIAL STATEMENT FINDINGS

2018-001 Annual Financial and Budget Report (CCFS-311) (Significant deficiency)

Criteria Accounting principles generally accepted in the United State of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting to prepare timely, accurate financial reports.

Condition The Annual Financial and Budget Report (CCFS-311) financial statements were inaccurate and did not completely reconcile to the trial balance.

Questioned Costs None

Context Various financial elements were not accurately stated.

Effect Inaccuracies in District financial statements decrease the relevance and usefulness of the financial statements.

Cause The District's closing process did not ensure that the CCFS-311 was accurately prepared.

Recommendation The District should ensure that the CCFS-311 is reconciled completely to the trial balance to ensure that accurate, timely information is reported to the users of the financial information.

District Response The District has input steps to train staff to resolve this in the future as well as implementing a detailed reviewing of the CCFS-311.

Section 3 – Federal Awards Findings and Responses

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

Section 4 - State Awards Findings

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

Copper Mountain Community College District

Status of Prior Year Findings and Questioned Costs

June 30, 2018

Financial Statement Findings

There were no financial statement findings or questioned costs in 2016-2017

Federal Awards Findings

2017.001 Student Financial Assistance Cluster
CFDA 84.063
Type of Finding – Significant Deficiency and Non-Compliance

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.

Status – The corrective action plan was implemented the 2017-2018 year. As of June 30, 2018, all corrective actions were in place to achieve compliance.

State Awards Findings

There were no state awards findings or questioned costs in 2016-2017.