

**COPPER MOUNTAIN
COMMUNITY COLLEGE DISTRICT**

**SAN BERNARDINO COUNTY
JOSHUA TREE, CALIFORNIA**

**Report on Audit
June 30, 2019**

TABLE OF CONTENTS

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT1
MANAGEMENT'S DISCUSSION AND ANALYSIS3
BASIC FINANCIAL STATEMENTS
STATEMENT OF NET POSITION.....10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION.....11
STATEMENT OF CASH FLOWS.....12
STATEMENT OF FIDUCIARY NET POSITION.....14
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION.....15
NOTES TO FINANCIAL STATEMENTS.....16

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES.....42
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY43
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS44

SUPPLEMENTARY INFORMATION

HISTORY AND ORGANIZATION STRUCTURE45
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS46
SCHEDULE OF EXPENDITURES OF STATE AWARDS47
SCHEDULE OF WORKLOAD MEASURE(S) FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE48
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION.....49
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS51
RECONCILIATION OF EDUCATION PROTECTION ACCOUNT FUNDS (EPA)52
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION53
NOTE TO SUPPLEMENTARY INFORMATION55

OTHER INDEPENDENT AUDITORS' REPORTS

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*56
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED THE UNIFORM GUIDANCE58
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE.....60

SCHEDULE OF FINDINGS AND RESPONSES

SECTION 1 - SUMMARY OF AUDITORS' RESULTS.....62
SECTION 2 - FINANCIAL STATEMENT FINDINGS63
SECTION 3 – FEDERAL AWARDS FINDINGS AND RESPONSES63
SECTION 4 - STATE AWARDS FINDINGS.....63
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS64

FINANCIAL SECTION

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, 2019, 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.

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, 2019, 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.

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 3 through 9, 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 9, 2019, on our consideration of Copper Mountain Community College District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 9, 2019

Copper Mountain Community College District

Management's Discussion and Analysis

June 30, 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, 2019. 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, 2019. 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 2018-2019, the District experienced a decrease in enrollment of 0.07%. 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:

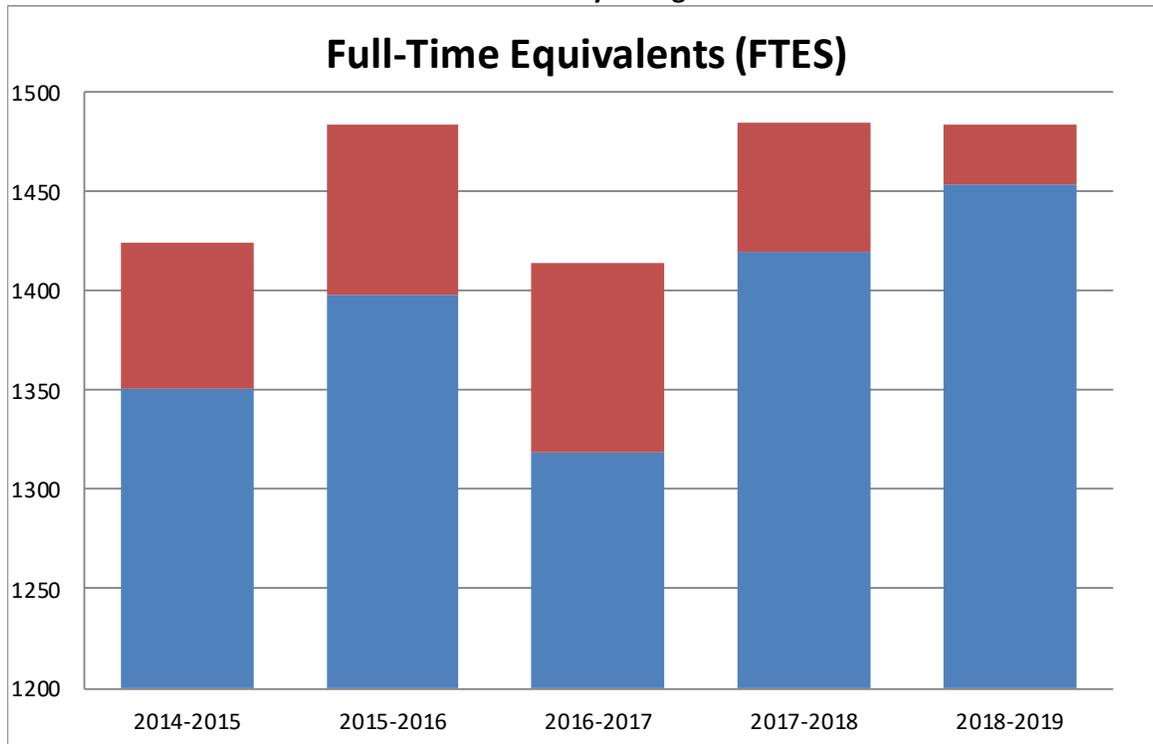
<u>Fiscal Year</u>	<u>Credit FTES</u>	<u>Non-Credit FTES</u>
2014-2015	1351	73
2015-2016	1398	85
2016-2017	1319	95
2017-2018	1419	65
2018-2019	1453	30

Copper Mountain Community College District

Management's Discussion and Analysis

June 30, 2019`

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



During fiscal year 2018-2019, total full-time equivalents students (FTES) increased approximately 2.4% for credit courses and decreased 53.85% 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.

Copper Mountain Community College District

Management's Discussion and Analysis

June 30, 2019`

NET POSITION (CONTINUED)

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Assets			
Current assets	\$ 5,815,012	\$ 4,910,090	\$ 904,922
Non-current assets	39,929,047	41,020,536	(1,091,489)
Total Assets	<u>45,744,059</u>	<u>45,930,626</u>	<u>(186,567)</u>
Deferred outflows of resources	5,628,055	5,480,211	147,844
Liabilities			
Current liabilities	3,124,696	3,298,421	(173,725)
Non-current liabilities	34,828,474	34,474,977	353,497
Total Liabilities	<u>37,953,170</u>	<u>37,773,398</u>	<u>179,772</u>
Deferred outflows of resources	1,613,569	1,803,015	(189,446)
Net Position			
Invested in capital assets, net of related debt	22,585,557	23,155,458	(569,901)
Restricted	1,059,883	278,385	781,498
Unrestricted	(11,840,065)	(11,599,419)	(240,646)
Total Net Position	<u>\$ 11,805,375</u>	<u>\$ 11,834,424</u>	<u>\$ (29,049)</u>

- 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 \$443,885, is from Federal and State sources for grant and entitlement programs.
- Capital assets had a net balance of \$39,929,047. Depreciation expense of \$1,374,184 was recognized during 2018-2019.
- Accounts payable in the amount of \$2,403,325 are amounts due as of the fiscal year-end for goods and services received as of June 30, 2019.
- The District currently has \$35,542,937 in outstanding debt. Of this amount, \$714,463 is due in the coming year. Additional information regarding long term debt is included in the Debt Administration section of this discussion and analysis.
- The District's current investment in capital assets, net of related debt, is \$22,585,587.

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.

Copper Mountain Community College District

Management's Discussion and Analysis

June 30, 2019`

CHANGE IN NET POSITION (CONTINUED)

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Revenues			
Operating	\$ 11,403,728	\$ 10,714,845	\$ 688,883
Non-operating	15,564,367	14,306,177	1,258,190
Total Revenues	<u>26,968,095</u>	<u>25,021,022</u>	<u>1,947,073</u>
Expenses			
Operating	27,081,112	24,655,328	2,425,784
Non-operating	741,748	679,399	62,349
Total Expenses	<u>27,822,860</u>	<u>25,334,727</u>	<u>2,488,133</u>
Change in Net Position	<u>(854,765)</u>	<u>(313,705)</u>	<u>(541,060)</u>
Net Position - Beginning	11,834,424	12,128,003	(293,579)
Adjustments for restatements/prior period adjustments	825,716	20,125	805,591
Net Position - Ending	<u>\$ 11,805,375</u>	<u>\$ 11,834,423</u>	<u>\$ (29,048)</u>

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 \$78,452 and an increase in grant revenue of \$2,093,986 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.

Copper Mountain Community College District

Management's Discussion and Analysis

June 30, 2019`

CHANGE IN NET POSITION (CONTINUED)

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

Total operating expenses increased by \$2,425,784. The increase is comprised of three parts: 1) salaries and benefits increased by \$1,133,194; 2) supplies, maintenance, and other operating expense increased by \$482,758; and 3) payments to students increased by \$667,121.

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, 2019 and 2018 is shown below.

Cash used in operating activities	\$ (12,915,108)	\$ (12,748,240)	\$ (166,868)
Cash provided by non-capital financing	15,367,504	14,289,747	1,077,757
Cash used by capital financing	(1,576,207)	(2,362,308)	786,101
Cash provided by investing activities	63,439	45,212	18,227
Total cash used	939,628	(775,589)	1,715,217
Cash - Beginning	4,324,034	5,099,623	(775,589)
Cash - Ending	\$ 5,263,662	\$ 4,324,034	\$ 939,628

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.

Copper Mountain Community College District

Management's Discussion and Analysis

June 30, 2019`

STATEMENT OF CASH FLOWS (CONTINUED)

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 \$12,915,108; cash flow from non-capital financing activities increased by \$1,077,757; and net cash used by capital financing, consisting primarily of the purchase of capital assets (buildings, building improvements, and equipment) and interest paid on capital debt totaled \$1,576,207. Cash provided by investment activities equaled \$63,439.

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, 2019 the District had total capital assets of \$50.5 million consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office equipment. The related accumulated depreciation was \$10.5 million.

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

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

Land, infrastructure and construction in progress	\$ 15,430,111	\$ 15,402,196	\$ 27,915
Buildings and equipment	35,025,018	35,512,673	(487,655)
Accumulated depreciation	(10,526,082)	(9,894,333)	(631,749)
Total Capital Assets	\$ 39,929,047	\$ 41,020,536	\$ (1,091,489)

Copper Mountain Community College District

Management's Discussion and Analysis

June 30, 2019`

LONG-TERM LIABILITIES

At June 30, 2019, the District had \$16.6 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 \$1.6 million in post-employment benefits costs and accrued vacation pay. Finally, the District has approximately \$16.6 million in pension liabilities. See the notes to the financial statements for additional information.

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Bonds payable	\$ 16,629,026	\$ 17,702,463	\$ (1,073,437)
OPEB Liability	1,469,344	1,292,736	176,608
Compensated absences	138,300	116,239	22,061
Net pension liability	16,591,804	15,863,539	728,265
Total Long-Term Liabilities	<u>\$ 34,828,474</u>	<u>\$ 34,974,977</u>	<u>\$ (146,503)</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Per the Legislative Analyst Office (LAO), the outlook for the 2020-21 minimum guarantee is up \$3.4 billion, indicating a strong growth projection for community college funding. The state could use \$1.1 billion of this increase to cover a 1.79 percent statutory cost-of-living adjustment (COLA) and deposit \$350 million into the Proposition 98 Reserve. The LAO estimates that this would leave approximately \$2.1 billion for new commitments in 2020-21. The statutory COLA rate is relatively low compared with the cost pressures that district is facing. The Legislature could help the community college system address their cost pressures by using a portion of the \$2.1 billion for a larger COLA.

The consensus among professional economists is that the national economy will continue to grow in the coming years, although at a slower pace than in recent years. A similar growth trend is expected for the California economy. Health and welfare benefit costs have continued to increase each year. The District has negotiated health and welfare caps to control costs of the health plans.

Rising pension costs have been a concern over the past several years. For 2020-21, districts' total contributions to CalSTRS and CalPERS are estimated to increase by roughly \$1 billion. In addition to pension costs, districts face cost pressure to raise employee salaries, cover rising health benefit costs, hire more staff, and expand services. Approximately 60 percent of community colleges have been experiencing drops in their enrollment. The declining enrollment districts face add to the budget challenge, as 70 percent of the state funding is based on enrollment.

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, 2019

Assets

Current assets:

Cash and cash equivalents	\$	5,263,662
Accounts receivable		443,885
Other assets		107,465

Non-current assets

Fixed assets, net		39,929,047
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Total Assets 45,744,059

Deferred Outflows of Resources

Deferred loss on refunding 535,099

Deferred outflows of resources - OPEB 36,258

Deferred outflows of resources - pensions only 5,056,698

Total deferred outflows of resources 5,628,055

Liabilities

Current liabilities:

Accounts payable 2,403,325

Unearned revenue 6,908

Current portion of long-term debt 714,463

Total current liabilities **3,124,696**

Non-current liabilities 34,828,474

Total Liabilities 37,953,170

Deferred Inflows of Resources

Deferred inflows of resources - pensions only 1,613,569

Net Position

Invested in capital assets 22,585,557

Restricted 1,059,883

Unrestricted (11,840,065)

Total Net Position \$ 11,805,375

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, 2019

OPERATING REVENUES

Tuition and fees	\$ 1,547,658
Less: Scholarship discounts and allowances	<u>(1,315,148)</u>
Net tuition and fees	232,510
Grants and contracts:	
Federal	5,190,427
State	5,420,290
Local	<u>560,501</u>
Total Operating Revenues	11,403,728

OPERATING EXPENSES

Salaries	10,983,979
Benefits	5,781,369
Payments to students	5,528,280
Supplies, materials, and other expenses	2,952,708
Other Operating Expenses	371,947
Depreciation	<u>1,462,829</u>
Total Operating Expenses	<u>27,081,112</u>

OPERATING INCOME/(LOSS) (15,677,384)

NON-OPERATING REVENUES/(EXPENSES)

State apportionments, non-capital	12,034,720
Local property taxes	2,872,059
State taxes and other revenues	595,046
Investment income - non-capital	62,058
Investment income - capital	484
Interest expense - capital asset-related debt	<u>(741,748)</u>
Total non-operating revenues	<u>14,822,619</u>

CHANGE IN NET POSITION (854,765)

Net Position - Beginning	11,834,424
Prior period restatement	<u>825,716</u>
Net Position - Beginning, as restated	<u>12,660,140</u>
Net Position - Ending	<u>\$ 11,805,375</u>

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT

For the Year Ended June 30, 2019

Cash Flows from Operating Activities

Tuition and fees	\$ 173,419
Federal grants and contracts	5,156,415
State grants and contracts	5,280,914
Local grants and contracts	688,745
Payments to suppliers	(4,383,455)
Payments to/on-behalf of employees	(14,305,252)
Student loans/grants and other Program expenses	<u>(5,525,894)</u>
Net cash provided by (used in) operating activities	(12,915,108)

Cash Flows from Non-capital Financing Activities

State apportionments and receipts	12,034,720
State taxes and other revenues	520,517
Property taxes	<u>2,812,267</u>
Net cash provided by (used in) non-capital financing activities	15,367,504

Cash Flows from Capital Financing Activities

Purchases of capital assets	(371,340)
Interest paid on capital debt	(459,929)
Principal paid on capital debt	<u>(744,938)</u>
Net cash provided by (used in) capital financing activities	(1,576,207)

Cash Flows from Investing Activities

Interest on investments	<u>63,439</u>
Net cash provided by (used in) investing activities	<u>63,439</u>

Net Increase/(Decrease) In Cash

939,628

Cash and Cash Equivalents

Beginning of year	<u>4,324,034</u>
End of year	<u>\$ 5,263,662</u>

The accompanying notes are an integral part of these financial statements

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT (CONTINUED)

For the Year Ended June 30, 2019

Reconciliation of operating loss to cash used in operating activities

Operating Profit or (loss)	\$ (15,677,384)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation and amortization	1,462,829
Pension expense	728,265
(Increase) decrease in accounts and notes receivable	1,054,087
(Increase) decrease in prepaids	(60,239)
(Increase) decrease in deferred outflows	(214,730)
Increase (decrease) in accounts payable	(557,732)
Increase (decrease) in unearned revenues	340,574
Increase (decrease) in other liabilities	198,668
Increase (decrease) deferred inflows	<u>(189,446)</u>
Net cash used in operating activities	<u>\$ (12,915,108)</u>

The accompanying notes are an integral part of these financial statements

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2019

	<u>ASB</u> <u>Trust Fund</u>	<u>Scholarship</u> <u>and Loan</u> <u>Trust Fund</u>
Assets		
Cash and cash equivalents	\$ 44,274	\$ 33,600
Total Assets	<u>\$ 44,274</u>	<u>\$ 33,600</u>
Liabilities		
Due to student groups	\$ 44,274	\$ -
Total Liabilities	<u>44,274</u>	<u>-</u>
Net Position		
Restricted	<u>-</u>	<u>33,600</u>
Total Net Position	<u>-</u>	<u>33,600</u>
Liabilities and Net Position	<u>\$ 44,274</u>	<u>\$ 33,600</u>

The accompanying notes are an integral part of these financial statements

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2019

	ASB Trust Fund	Scholarship and Loan Trust Fund
Additions		
Student activities	\$ 26,367	\$ 38,496
Deductions		
Student activities	<u>27,692</u>	<u>37,469</u>
Change in Net Position	(1,325)	1,027
Net Position - Beginning	<u>45,599</u>	<u>32,573</u>
Net Position - Ending	<u><u>\$ 44,274</u></u>	<u><u>\$ 33,600</u></u>

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.

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, 2019, approximated their carrying value.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 has three items that qualify for reporting in this category.

- **Deferred Charge on Refunding:** A deferred charge on refunding results from the difference in carrying of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.
- **Deferred Outflows-Pensions and OPEB:** Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to pensions and OPEB resulted from District contributions to employee plans subsequent to the measurement date of the actuarial valuation of the plans. Deferred outflows are also recorded for the effects of actuarially-determined changes to the pension plan. These amounts are deferred and/or amortized as detailed in Notes 8 and 9 to the financial statements.

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 the following item that qualifies for reporting in this category.

- **Deferred Inflows-Pensions:** The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plans. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

COMPENSATED ABSENCES

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

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

UNEARNED REVENUE

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

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.
- **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, 2019.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and the Public Employees Retirement System on behalf of all Community Colleges in California.

CLASSIFICATION OF REVENUES

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Cod. Sec. C05.101, including state appropriations, local property taxes, and investment income. Nearly all of the District's expenses are from exchange transactions. Revenues and expenses are classified to the following criteria:

- **Operating revenues and expenses** – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of fee waivers and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.
- **Non-operating revenues and expenses** – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

INTERFUND ACTIVITY

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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).

The District has implemented provisions of this Statement as of June 30, 2019.

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 District has implemented provisions of this Statement as of June 30, 2019.

NEW ACCOUNTING PRONOUNCEMENTS

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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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.

Deposits and investments, as of June 30, 2019, consist of the following:

Business-type activities	\$ 5,263,662
Fiduciary funds	<u>77,874</u>
Total Deposits and Investments	<u>\$ 5,341,536</u>
Cash on hand and in banks	110,098
Cash in revolving	10,000
Cash in County Treasury	<u>5,221,438</u>
Total Deposits and Investments	<u>\$ 5,341,536</u>

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019, as provided by the pool sponsor, was \$5,248,570 with an average maturity of 424 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

GENERAL AUTHORIZATIONS

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

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.

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

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, 2019, consist of the following and are considered collectable in full:

	<u>2019</u>	<u>2018</u>
Federal	\$ 166,770	\$ 132,758
State	151,197	269,700
Local	125,918	135,476
Interest	-	896
	<u>\$ 443,885</u>	<u>\$ 538,830</u>

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ending June 30, 2019:

	<u>Balance July 01, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 264,667	\$ -	\$ -	\$ 264,667
Construction in progress	57,601	-	-	57,601
Total capital assets not being depreciated	<u>322,268</u>	<u>-</u>	<u>-</u>	<u>322,268</u>
Capital assets being depreciated:				
Land improvements	15,079,928	27,915	-	15,107,843
Buildings and improvements	31,203,615	5,281	-	31,208,896
Furniture and equipment	4,309,058	338,144	831,080	3,816,122
Total capital assets being depreciated	<u>50,592,601</u>	<u>371,340</u>	<u>831,080</u>	<u>50,132,861</u>
Less accumulated depreciation:				
Land improvements	2,307,258	729,019	-	3,036,277
Buildings and improvements	4,588,454	336,877	-	4,925,331
Furniture and equipment	3,087,266	308,288	831,080	2,564,474
Total accumulated depreciation	<u>9,982,978</u>	<u>1,374,184</u>	<u>831,080</u>	<u>10,526,082</u>
Capital Assets, net	<u>\$40,931,891</u>	<u>\$ (1,002,844)</u>	<u>\$ -</u>	<u>\$39,929,047</u>

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, 2019, is shown below:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year	Long-term Portion
Governmental Activities						
General Obligation Bonds						
Series C	\$ 4,327,605	\$ -	\$ 157,615	\$ 4,169,990	\$ 154,463	\$ 4,015,527
Refunding	11,690,000	-	505,000	11,185,000	560,000	10,625,000
Accreted Interest	1,385,655	257,745	82,323	1,561,077	-	1,561,077
Premiums	461,817	-	34,395	427,422	-	427,422
Net pension liability	15,863,539	728,265	-	16,591,804	-	16,591,804
OPEB	1,292,736	176,608	-	1,469,344	-	1,469,344
Accumulated vacation	116,239	22,061	-	138,300	-	138,300
Totals	<u>\$ 35,137,591</u>	<u>\$ 1,184,679</u>	<u>\$ 779,333</u>	<u>\$ 35,542,937</u>	<u>\$ 714,463</u>	<u>\$ 34,828,474</u>

BONDED DEBT

The outstanding bonded debt of the District, at June 30, 2019, is:

Maturity Date	Amount of Original Issue	Outstanding July 1, 2018	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2019
8/1/2033	\$ 4,999,587	\$ 4,327,605	\$ -	\$ 157,615	\$ 4,169,990
8/1/2031	\$ 13,510,000	\$ 11,690,000	\$ -	\$ 505,000	\$ 11,185,000

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.

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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:

Year	Total		
	Principal	Interest	Total
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	490,750	1,371,088
2024	929,278	475,645	1,404,923
2025-2029	5,720,730	2,090,485	7,811,215
2030-2034	5,521,430	1,992,547	7,513,977
2035-2039	-	-	0
Total	\$ 15,354,990	\$ 6,600,621	\$ 21,955,611

COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits, as of June 30, 2019, are \$138,300.

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.

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

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	<u><u>84</u></u>

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	3.50%
Healthcare trend rate	4.0%
Salary increases	2.75% per annum, in aggregate
Investment rate of return	3.50%
Pre-retirement mortality rate	
Certificated	2009 CalSTRS Mortality
Classified	2014 CalPERS Active Mortality for Miscellaneous 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 3.5% which was based on the Bond Buyer 20-bond General Obligation Index.

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

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	150,374
Interest (on the total OPEB liability)	46,818
Changes of assumptions	39,958
Benefit payments, including refunds of employee contributions	<u>(60,543)</u>
Net change in Total OPEB Liability	<u>176,607</u>
Total OPEB Liability-beginning	<u>1,292,736</u>
Total OPEB Liability-ending	<u>\$ 1,469,343</u>

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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease <u>(3.0%)</u>	Current Rate <u>(4.0%)</u>	1% Increase <u>(5.0%)</u>
Net OPEB Liability (asset)	\$ 1,338,367	\$ 1,469,343	\$ 1,625,994

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.

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).

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

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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	7.328%	7.328%

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, 2019, are presented above and the District's total contributions were \$990,869.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalSTRS (continued)

PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2019, 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
District Proportionate Share	\$ 9,635,389
State's Proportionate Share	<u>5,516,711</u>
Total Pension Liability	<u>\$ 15,152,100</u>

The net pension liability was measured as of June 30, 2018. 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 of Net Pension Liability
Proportion at measurement date June 30, 2017	0.010277%
Proportion at measurement date June 30, 2018	<u>0.010484%</u>
Change in Proportion	<u>-0.000207%</u>

For the year ended June 30, 2019, the Copper Mountain Community College District recognized pension expense of \$932,632. At June 30, 2019, 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	Deferred Outflows
Pension contributions subsequent to measurement date	\$ 990,869	\$ -
Differences between actual and expected experience	29,288	(8,834)
Differences between actual and required contributions	435,992	-
Changes in assumptions	1,467,230	-
Changes in employer's proportionate share	274,023	(90,398)
Net difference between projected and actual earnings	<u>-</u>	<u>(1,026,002)</u>
Total	<u>\$ 3,197,402</u>	<u>\$ (1,125,234)</u>

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALSTRS (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	Deferred Outflows/Inflows of Resources
June 30:	
2020	\$ 68,689
2021	64,540
2022	109,459
2023	342,660
2024	424,502
Thereafter	71,449
Total	<u>\$ 1,081,299</u>

ACTUARIAL ASSUMPTIONS

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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⁾	7.00%
Mortality Rate Table	CalSTRS Custom

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

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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALSTRS (CONTINUED)

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 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 Allocation	Long Term Expected Return
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Str.	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALSTRS (CONTINUED)

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	Current Discount Rate	Discount Rate
	<u>-1% (6.10%)</u>	<u>(7.10%)</u>	<u>+1% (8.10%)</u>
Proportionate Share of the School Risk Pool's Net Pension Liability	\$ 14,117,863	\$ 9,635,389	\$ 5,921,592

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.

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. PEPRAs 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
	On or before	On or after January
Hire Date	December 31, 2012	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%	7.00%
Required employer contribution rates	18.062%	18.062%

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

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, 2019, were as follows:

	<u>Contributions</u>
Total School Risk Pool Contributions	<u>\$ 658,248</u>

PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

As of June 30, 2019, 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	<u>\$ 6,956,415</u>

* 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, 2017, 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

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CALPERS (CONTINUED)

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, 2018, the measurement date, was calculated as follows:

Each risk pool’s total pension liability was computed at the measurement date, June 30, 2018, 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, 2018, was computed by subtracting the respective risk pool’s fiduciary net position from its total pension liability.

The individual employer risk pool’s proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018, 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, 2018, 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, 2017, and June 30, 2018, was as follows:

	School Risk Pool
Proportion at Measurement Date June 30, 2017	0.026640%
Proportion at Measurement Date June 30, 2018	0.026090%
Change in Proportion	0.000550%

For the year ended June 30, 2019, the Copper Mountain Community College District recognized pension expense of \$1,076,836. At June 30, 2019, 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	Deferred Outflows
Pension contributions subsequent to measurement date	\$ 658,248	\$ -
Differences between actual and expected experience	459,026	-
Differences between actual and required contributions	-	(235,881)
Changes in assumptions	691,463	-
Changes in employer's proportionate share	-	(252,454)
Net difference between projected and actual earnings	50,559	-
Total	<u>\$ 1,859,296</u>	<u>\$ (488,335)</u>

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
2019	\$ 483,698
2020	318,790
2021	(48,716)
2022	(41,059)
2023	-
Thereafter	-
Total	<u>\$ 712,713</u>

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	School Risk Pool
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase ⁽¹⁾	Varies By Age & Length of Service
Investment Rate of Return ⁽²⁾	7.00%
Mortality Rate Table ⁽³⁾	CalPERS Custom

⁽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, 2018 based on June 30, 2017 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 7.00% 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 7.15%. 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 Yrs 1-10(1)	Real Return Yrs 11+(2)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	77.00%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) An expected inflation of 2.0% used for this period

(2) An expected inflation of 2.92% 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:

	Current		
	Discount Rate -1% (6.15%)	Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Proportionate Share of the School Risk Pool's Net Pension Liability	\$ 10,128,208	\$ 6,956,415	\$ 4,324,959

SOCIAL SECURITY

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

ON BEHALF PAYMENTS

The State of California made contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS of approximately 879,523 and contributions to CalPERS of approximately \$235,854. 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, 2019.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Equipment, Capital Outlay	Other Outgo	Depreciation	Total
Admissions and records	\$ 800,752	\$ 32,335	\$ -			\$ 833,087
Ancillary services	148,524	111,790	20,011			280,325
Auxiliary operations		235	19,343			19,578
Community services and economic development	18,967	13,855	-			32,822
General institutional support services	1,837,051	854,090	240,882			2,932,023
Instructional activities	8,379,993	457,802	290,335			9,128,130
Instructional administration	474,779	47,153	-	-		521,932
Instructional support services	1,142,569	132,656	54,389			1,329,614
Physical property and acquisitions	960,759	200,788	(366,245)			795,302
Planning, policy making, coordination, general support	420,026	59,204	1,442			480,672
Plant operations and maintenance	602,458	680,768	112,482			1,395,708
Student Aid				5,528,280		5,528,280
Student services-counseling and guidance	534,727	52,914	1,086			588,727
Students services-other	1,444,703	245,100	62,280			1,752,083
Depreciation					1,462,829	1,462,829
	<u>\$ 16,765,308</u>	<u>\$ 2,888,690</u>	<u>\$ 436,005</u>	<u>\$ 5,528,280</u>	<u>\$ 1,462,829</u>	<u>\$ 27,081,112</u>

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, 2019.

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:

<u>Year Ended</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2020	63,436
2021	46,630
2022	9,885
2023	944
2024	-
	<u><u>\$ 120,895</u></u>

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, 2019, the District made the following payments to the JPAs:

	<u>2019 Payments</u>
SCEBA	\$ 172,885
SCSRM	\$ 96,964

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the 2018-19 financial reporting process, it was determined that \$825,716 in accounts receivable accruals from previous had been reported incorrectly. In order to correct this reporting error, a prior period adjustment has been made to reflect the revenue in the proper period. The effect of the prior period adjustment is to increase unrestricted net assets at July 1, 2018 and accounts receivable by the referenced amount.

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 9, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2019, 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 Two Years Ended June 30, 2019

Last 2 Fiscal Years

	Plan Year Ended <u>June 30, 2019</u>	Plan Year Ended <u>June 30, 2018</u>
Total OPEB Liability		
Service cost	150,374	146,349
Interest (on the total OPEB liability)	46,818	45,639
Changes of assumptions	39,958	-
Benefit payments, including refunds of employee contributions	<u>(60,543)</u>	<u>(58,214)</u>
Net change in Total OPEB Liability	<u>176,607</u>	<u>133,774</u>
Total OPEB Liability-beginning	<u>1,292,736</u>	<u>1,158,962</u>
Total OPEB Liability-ending	<u><u>\$ 1,469,343</u></u>	<u><u>\$ 1,292,736</u></u>
Covered Employee Payroll	\$ 9,733,310	\$ 8,600,726
Total OPEB Liability as a Percentage of Covered Employee Payroll	15.10%	15.03%

*Fiscal year 2018 was the 1st year of implementation, therefore only two years are 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 Five Years Ended June 30, 2019

	Measurement Date June 30,									
	2014		2015		2016		2017		2018	
	PERS	STRS	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%	0.026090%	0.010484%
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	\$ 6,956,415	\$ 9,635,389
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	\$ 3,644,361	\$ 6,088,949
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%	190.88%	158.24%
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%	70.85%	70.99%

**Measurement date 2014 was the 1st year of implementation, therefore only five years are shown*

The accompanying notes are an integral part of these financial statements

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Five Years Ended June 30, 2019

	2015		2016		2017		2018		2019	
	PERS	STRS								
Contractually required contribution	\$ 378,607	\$ 445,004	\$ 396,233	\$ 560,214	\$ 471,662	\$ 689,243	\$ 534,590	\$ 823,614	\$ 658,248	\$ 990,869
Contributions in relation to the contractually required contribution	<u>378,607</u>	<u>445,004</u>	<u>396,233</u>	<u>560,214</u>	<u>471,662</u>	<u>689,243</u>	<u>534,590</u>	<u>823,614</u>	<u>658,248</u>	<u>990,869</u>
Contribution deficiency (excess)	<u>\$ -</u>									
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	\$ 3,644,361	\$ 6,088,949
Contributions as a percentage of covered-employee payroll	11.771%	8.880%	11.847%	10.730%	13.888%	12.580%	16.519%	15.353%	18.062%	16.273%

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

The accompanying notes are an integral part of these financial statements

SUPPLEMENTARY INFORMATION

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION STRUCTURE

June 30, 2019

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	Trustee	December 2022
Eva Kinsman	Clerk	December 2022
Mary Lombardo	Trustee	December 2020
Greg Gilbert	President	December 2020
Richard Rogers	Vice-President	December 2020

Administration

Member	Office
Daren Otten, Ed.D	Superintendent/President
Jacob Kevari	Director of Planning, Research and Institutional Effectiveness
Meredith Plummer	Chief Business Officer

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster ^[1] :			
Federal Work Study Program (FWS)	84.033		\$ 154,749
Federal Supplement Educatin Opportunity (FSEOG)	84.007		115,162
Federal Direct Student Loans (Direct Loans)	84.268		545,442
Federal Pell Grants	84.063		<u>3,720,459</u>
Subtotal Student Financial Assistance Cluster			4,535,812
 Title II Grant - Adult Education and Family Literacy Act	 84.002A		 68,789
 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	41,377
Perkins Grant	84.048	12-C01-072	<u>54,796</u>
 Total U.S. Department of Education			 <u>4,700,774</u>
 U.S. Department of Health and Human Services			
Temporary Assistance Needy Family	93.558		<u>35,108</u>
 Total U.S. Department of Health and Human Services			 <u>35,108</u>
 Total Federal Expenditures			 <u><u>\$ 4,735,882</u></u>

[1] Major Program

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2019

	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Income		
Adult Education Block Grant - AB 104	822,587		48,525	774,062	774,062
Adult Education Block Grant-Data & Accountability	6,968			6,968	6,968
Basic Skills Initiative 17/18	33,790			33,790	33,790
California Early Childhood Mentor	816		816	-	-
California Promise Program	78,440		15,513	62,927	62,927
CalWorks	219,547			219,547	219,547
CDT - Child Development Training	4,175		2,500	1,675	1,675
Clean Energy	23,287		23,287	-	-
Student Success Completion Grant	205,924			205,924	205,924
Campus Safety & Sexual Assault Prevention	11,639		11,639	-	-
Classified Professional Development	7,688		7,688	-	-
CTE Data Unlocked Funds	34,900		16,538	18,362	18,362
Disabled Students Programs and Services	299,642			299,642	299,642
Extended Opportunity Programs and Service	276,332			276,332	276,332
Care Program	90,580			90,580	90,580
Financial Aid Technology	145,969		126,844	19,125	19,125
Financial Aid	121,342			121,342	121,342
Hunger Free Campus Program	15,017		6,611	8,406	8,406
Guided Pathways	275,000		236,129	38,871	38,871
Instructional Support Grant	133,978		67,906	66,072	66,072
Mental Health Support	12,574			12,574	12,574
Restricted Lottery	76,980	36,787	59,388	54,379	54,379
RN Grant	117,001			117,001	117,001
Strong Workforce Initiative-Local	514,106		421,371	92,735	92,735
Strong Workforce Initiative-Regional	252,595	74,169	30,000	296,764	296,764
Rural Technology Program	180,000		43,152	136,848	136,848
Student Equity & Achievement (SEA) Program	881,878			881,878	881,878
Student Support & Success Program - Non-Credit	25,980			25,980	25,980
Student Support & Success Program - Equity	53,131			53,131	53,131
Veterans Resource Center	38,885		20,118	18,767	18,767
Faculty & Staff Diversity	84,883		1,788	83,095	83,095
Total State Programs	\$ 5,045,634	\$ 110,956	\$ 1,139,813	\$ 4,016,777	\$ 4,016,777

See the accompanying notes to the supplementary information

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURE(S) FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL)

ATTENDANCE

For the Fiscal Year Ended June 30, 2019

	Reported Data
Summer Intersession (Summer 2018)	
1. Noncredit	4.88
2. Credit	90.15
Summer Intersession (Summer 2019 - Prior to July 1, 2019)	
1. Noncredit	-
2. Credit	-
Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	993.52
(b) Daily Census Contact Hours	58.20
2. Actual Hours of Attendance	
(a) Noncredit	24.71
(b) Credit	51.72
3. Alternative Attendance Accounting Procedure Courses	
(a) Weekly Census Procedure Courses (Part V)(Credit)	247.64
(b) Daily Census Procedure Courses (Part V)(Credit)	11.45
(c) Noncredit Ind Study/Distance Ed Courses (Part VII.C)	-
Total FTES	<u>1,482.27</u>
 Total FTES	
Total Credit FTES	1,452.68
Total Noncredit FTES	29.59
Total FTES	<u>1,482.27</u>
 Supplemental Information	FTES
Inservice Training Courses	-
Basic Skills Courses and Immigrant Education (Noncredit)	29.33
Basic Skills Courses and Immigrant Education (Credit)	152.94

See the accompanying notes to the supplementary information

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
For the Fiscal Year Ended June 30, 2019

	Object Codes	ESC 84362 A Instructionalf Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adj	Revised Data	Reported Data	Audit Adj	Revised Data
<u>ACADEMIC SALARIES</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 3,233,700	\$ -	\$ 3,233,700	\$ 3,262,040	\$ -	\$ 3,262,040
Other	1300	1,569,670	-	1,569,670	1,569,670	-	1,569,670
Total Instructional Salaries		4,803,370	-	4,803,370	4,831,710	-	4,831,710
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	715,341	-	715,341
Other	1400	-	-	-	93,108	-	93,108
Total Non-Instructional Salaries		-	-	-	808,449	-	808,449
Total Academic Salaries		4,803,370	-	4,803,370	5,640,159	-	5,640,159
<u>CLASSIFIED SALARIES</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	2,117,687	-	2,117,687
Other	2300	-	-	-	454,756	-	454,756
Total Non-Instructional Salaries		-	-	-	2,572,443	-	2,572,443
Instructional Aides							
Regular Status	2200	40,313	-	40,313	40,313	-	40,313
Other	2400	32,176	-	32,176	67,506	-	67,506
Total Instructional Aides		72,489	-	72,489	107,819	-	107,819
Total Classified Salaries		72,489	-	72,489	2,680,262	-	2,680,262
Employee Benefits	3000	2,432,782	-	2,432,782	4,181,672	-	4,181,672
Supplies and Materials	4000	-	-	-	132,337	-	132,337
Other Operating Expenses	5000	18,926	-	18,926	1,585,363	-	1,585,363
Equipment Replacement	6420	-	-	-	90,452	-	90,452
Total Expenditures Prior to Exclusions		7,327,567	-	7,327,567	14,310,245	-	14,310,245

See the accompanying notes to the supplementary information

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

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

For the Fiscal Year Ended June 30, 2019

	Object Codes	ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		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	-	-	-	75,600	-	75,600
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	-	-	-	274,503	-	274,503
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions				-	350,103		350,103
Total for ECS 84362, 50% Law		\$ 7,327,567		\$ 7,327,567	\$ 13,960,142		\$ 13,960,142
Percent of CEE (Instructional Salary Cost / Total CEE)		52.49%		52.49%	100%		100%
50% of Current Expense of Education					\$ 6,980,071		\$ 6,980,071

See the accompanying notes to the supplementary information

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, 2019

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Outlay Fund</u>
Fund Balance			
June 30, 2019 Annual Financial and Budget Report (Form CCFS-311) Fund Balances	\$ 2,253,991	\$ 1,275,902	\$ 27,497
Audited financial statements fund balance	<u>\$ 2,253,991</u>	<u>\$ 1,275,902</u>	<u>\$ 27,497</u>

See the accompanying notes to the supplementary information

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF EDUCATION PROTECTION ACCOUNT FUNDS (EPA)

For the Fiscal Year Ended June 30, 2019

Activity Classification	Object Code	Unrestricted			
EPA Proceeds:	8630	\$ 1,405,916			
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ 1,405,916	\$ -	\$ -	\$ 1,405,916
Total Expenditures for EPA		\$ 1,405,916	\$ -	\$ -	\$ 1,405,916
Revenues Less Expenditures					\$ -

See the accompanying notes to the supplementary information

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 June 30, 2019

Total Fund Balance and Retained Earnings:

General Funds	\$ 2,253,991	
Capital Outlay Projects	27,497	
Debt Service Funds	1,275,902	
Fiduciary Funds	<u>96,227</u>	
Total Fund Balances and Retained Earnings - All District Funds		\$ 3,653,617

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	50,455,129	
Accumulated depreciation is	<u>(10,526,082)</u>	
Net Capital Assets		39,929,047

Amounts held in trust on behalf of others (Trust and Agency Funds) (77,874)

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. 15,983

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. (186,947)

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. 535,099

Deferred outflows and inflows of resources relating to pensions: 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	5,092,956	
Deferred inflows of resources relating to pensions	<u>(1,613,569)</u>	
		3,479,387

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION (CONTINUED)
 June 30, 2019

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	(17,343,489)	
Net pension liability	(16,591,804)	
Compensated absences (vacations)	(138,300)	
Other postemployment benefits (OPEB)	<u>(1,469,344)</u>	
Total Long-Term Obligations		<u>(35,542,937)</u>
Total Net Position - Governmental Activities		<u>\$ 11,805,375</u>

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, 2019.

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 9, 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. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 9, 2019

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, 2019. 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.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Copper Mountain Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

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
December 9, 2019

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, 2019 and issued our report thereon December 9, 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 2018-19 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 Manual*. 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, 2019. In connection with our 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 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Prop 39 Clean Energy Fund
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
December 9, 2019

SCHEDULE OF FINDINGS AND RESPONSES

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

SECTION 1 – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Code of Federal regulations, Chapter 2, Part 200, Section .510(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
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:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

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

COPPER MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

SECTION 2 - FINANCIAL STATEMENT FINDINGS

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

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, 2019

FINANCIAL STATEMENT FINDINGS

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

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.

Current Status Implemented

FEDERAL AWARDS FINDINGS

There were no state awards findings or questioned costs in 2017-2018.

STATE AWARDS FINDINGS

There were no state awards findings or questioned costs in 2017-2018.