



Financial Statements  
June 30, 2019

# Chaffey Community College District



# CHAFFEY COMMUNITY COLLEGE DISTRICT

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**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Chaffey Community College District  
Rancho Cucamonga, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Chaffey 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 misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 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 respective financial position of the business-type activities, the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 13, and other required supplementary information on pages 67 through 71 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.

### *Other 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 accompanying 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying 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 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that 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 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.

Handwritten signature in cursive script that reads "Eric Sallie LLP".

Rancho Cucamonga, California  
December 18, 2019

### ***USING THIS ANNUAL REPORT***

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the Chaffey Community College District's (the District) activities as a whole: the *Statement of Net Position*; the *Statement of Revenues, Expenses, and Changes in Net Position*; and the *Statement of Cash Flows*.

Responsibility for the completeness and accuracy of this information rests with District management.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

The focus of the *Statement of Net Position* is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The *Statement of Revenues, Expenses, and Changes in Net Position* focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The *Statement of Cash Flows* provides an analysis of the sources and uses of cash within the operations of the District.

Comparative information is included for the years ended June 30, 2019 and 2018.

### ***FINANCIAL HIGHLIGHTS***

- The District's primary funding source is apportionment received from the State of California. In 2018-2019, the State implemented a new funding formula referred to as the Student Centered Funding Formula (SCFF). In prior years, the District's apportionment amount was determined by the number and size of colleges and centers in the District and the number of Full-Time Equivalent Students (FTES). The new SCFF includes three components:
  - (1) The Base Allocation (70 percent of funding) is driven by enrollment and the size of colleges and number of centers. The actual factored FTES per the 2018-2019 annual apportionment attendance report was 16,915.98. This is an increase of 2,289.05 FTES from the prior year actual FTES of 14,626.93. The FTES increase is the result of restoration of prior year FTES and 2018-2019 growth of 3.24 percent. The 2018-2019 FTES funding, per the formula, is based on a three year average FTES, which was 16,470.71. The District also received funding for having one medium sized college and two State approved centers.
  - (2) The Supplemental Allocation (20 percent of funding) is based on the number of low-income students.
  - (3) The Student Success Allocation (10 percent of funding) is calculated using various performance-based metrics.

The District's Cost of Living Adjustment (COLA), which is applied to all the funding rates, was 3.26 percent. The District was successful in all three of the components and earned \$107,765,175. However, because of limited available state revenues and the unanticipated higher cost of funding the formula statewide, as of June 30, 2019, the District received \$100,558,412. Despite the shortage, the District remained fiscally stable.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2019

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### *FINANCIAL HIGHLIGHTS, Continued*

- At the close of the 2018-2019 fiscal year, the unrestricted General Fund reserve met the California Community Colleges Chancellor's Office recommendation to maintain a minimum of a five percent reserve. In addition, the District's Governing Board policy of a seven percent reserve has also been met. By maintaining this reserve, the District will have funds available for unanticipated expenditures and budget uncertainties.
- The District is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges. The last accreditation review was completed in October 2016. The Accrediting Commission reaffirmed the District's accreditation status in January 2017. Reaffirmation indicates that the Commission has determined that the institution is in compliance with accreditation standards. The next accreditation review will be in Fall 2023, with a midterm report due in Fall 2020.
- Chaffey College continues to operate as a fiscally independent district. The District no longer utilizes the San Bernardino County Superintendent of Schools as a pass-through to process commercial and payroll warrants, but deals directly with the San Bernardino County Treasurer's and Auditor-Controller's Offices. Fiscal independence provides the District with greater internal controls and enables the District to meet their financial obligations by providing timely services to the outside business community, students, and employees.
- During the 2014-2015 fiscal year, the District established a Governmental Accounting Standards Board (GASB) Statement No. 74 irrevocable trust with Futuris Public Entity Investment Trust to fund other postemployment benefit (OPEB) obligations. The investment balance in this trust as of June 30, 2019, was \$7,365,916. The District will budget annual contributions to continue funding the trust in an effort to meet future obligations.
- The District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, by State and Local Governmental Employers, for the year ended June 30, 2015. GASB Statement No. 68 is a change in accounting principles that establishes standards for measuring and recognizing future retirement liabilities. As a result of implementing GASB Statement No. 68, the District's aggregate net pension obligation as of June 30, 2019 was \$118.5 million.
- During the 2016-2017 fiscal year, the District established an irrevocable pension stability trust with California Public Entity Pension Trust to assist in stabilizing the District's funding for increasing future State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) liabilities. The investment balance in this trust as of June 30, 2019 was \$844,711.



# CHAFFEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2019

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- During the 2017-2018 school year, the District completed a 5.5 Megawatt solar photovoltaic carport project on the Rancho Cucamonga, Chino, and Fontana campuses. The project consisted of the installation of 13,712 solar panels that created 1,100 shaded parking spaces at the Rancho Cucamonga Campus, 240 at the Chino Campus, and 94 at the Fontana Campus. This project has reduced the District's consumption of Kilowatt Hours of approximately 44.4 percent at the Rancho Campus, 89.8 percent at the Chino Campus, and 97.4 percent at the Fontana Campus. In addition, the District realized a savings of approximately \$661,600 compared to the 2017-2018 fiscal year and \$967,000 in electricity billing savings compared to the five year high during the 2014-2015 fiscal year. In order to subsidize a portion of the finance costs, the District submitted an application to the Internal Revenue Service (IRS) and applied for an allocation of Clean Renewable Energy Bonds (CREBS) of up to \$18,300,000. The IRS approved the request and the District received an allocation and authority to issue new CREBS up to \$18,300,000. The District entered into a lease-purchase financing agreement with Banc of America Leasing and Capital, LLC at a 4.25 percent interest rate. After accounting for the IRS subsidy, the net interest rate to the District is 1.27 percent. The debt service will be paid from the energy savings.
- Measure L continues to support capital improvements and the District has various construction projects funded by the 2002 \$230 million general obligation bond and capital projects funds in progress throughout the District. Some of the major projects in the construction stage during 2018-2019 fiscal year were:
  - Museum Renovation
  - Theatre Wings Renovation
  - Planetarium Renovation
  - Campus Center Shade Structure
  - Campus Center East Plaza

Projects not completed in 2018-2019 will be completed in the 2019-2020 fiscal year and future years.

- On November 6, 2018, the residents of Chaffey Community College District passed Measure P, a general obligation bond providing the college with \$700 million for site acquisition, renovation and new construction of facilities throughout the college district. The first issuance of \$200 million occurred in September, 2019 to fund the first phase of projects over the next 36-48 months. In July 2018, the District hired a program management company, Kitchell/CEM. Kitchell is currently working with management to identify and develop the sequencing of the first phase of the bond program. Kitchell and the District are also working on procedures and guiding principles to administer the bond program. In addition, the District is in the process of acquiring land in the Cities of Ontario and Fontana.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2019

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### *ECONOMIC FACTORS AFFECTING CURRENT AND FUTURE FINANCES OF CHAFFEY COMMUNITY COLLEGE DISTRICT*

The economic position of the District is closely tied to the State of California, as State apportionments allocated to the District in 2018-2019 represented approximately 89 percent of the Unrestricted General Fund revenues.

To maximize student success and stabilize funding, the California Community Colleges' Chancellor's Office implemented a new Student Centered Funding Formula (SCFF) that will not only support access (FTES-enrollment), but also supports student equity and student success through additional allocations. The implementation of the SCFF in 2018-2019 resulted in more earned District revenue since the District has a stable FTES base, a high number of students that qualify for financial aid (student equity) and good outcomes for the student success factors.

However, in 2018-2019, the first year of the new SCFF, the statewide costs of the SCFF were underestimated and the State revenue to fund it was insufficient. As a result, while the District earned \$107,765,923 in State revenue, as of June 30, 2019, the District only received \$100,658,412. It is expected that during the 2019-2020 recalculation of the 2018-2019 fiscal year apportionment, the District may receive additional funding.

The State is reviewing the formula in 2019-2020 and will be implementing changes to the SCFF for the current and future fiscal years.

The passage of Proposition 30 by California voters in November 2012 increased State revenues and benefited California community colleges for the immediate future by preventing additional funding reductions, increasing funding for student access and eliminating State cash deferrals. The measure temporarily increases personal income tax on annual earnings over \$250,000 for seven years and sales and use tax by ¼ cent for four years. Eleven percent of these temporary tax revenues will be allocated to community colleges and eighty-nine percent to K-12 schools. Funds cannot be spent on administrative salaries, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent.

The Proposition 30 ¼ cent sales and use tax ends in December 2016. However, in November 2016, California voters approved Proposition 55, which extends the increases in personal income tax on annual earnings over \$250,000 that were implemented under Proposition 30 until 2030.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net position) or results of operations (revenues, expenses, and changes in net position) of the District.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSIONS AND ANALYSIS  
JUNE 30, 2019**

Condensed financial information is as follows:

	<b>Net Position as of June 30,</b>	
	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Current</b>		
Cash and investments	\$ 94,787,800	\$ 98,728,919
Other current assets	11,317,069	10,210,714
<b>Total Current Assets</b>	<u><b>106,104,869</b></u>	<u><b>108,939,633</b></u>
<b>Noncurrent Assets</b>		
Capital assets, net of depreciation	302,749,375	299,655,013
<b>Total Assets</b>	<u><b>408,854,244</b></u>	<u><b>408,594,646</b></u>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	10,451,233	11,467,120
Deferred outflows of resources related to OPEB and pensions	37,901,335	38,101,075
<b>Total Deferred Outflows of Resources</b>	<u><b>48,352,568</b></u>	<u><b>49,568,195</b></u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	21,518,948	19,239,917
Unearned revenue	15,901,921	16,147,051
Long-term obligations - current portion	8,056,015	7,431,523
<b>Total Current Liabilities</b>	<u><b>45,476,884</b></u>	<u><b>42,818,491</b></u>
<b>Noncurrent Liabilities</b>		
Long-term obligations	295,735,339	298,599,044
<b>Total Liabilities</b>	<u><b>341,212,223</b></u>	<u><b>341,417,535</b></u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	4,600,978	4,947,469
<b>Net Position</b>		
Net investment in capital assets	143,336,676	137,967,393
Restricted for expendable purposes	32,361,144	32,389,224
Unrestricted deficit	(64,304,209)	(58,558,780)
<b>Total Net Position</b>	<u><b>\$ 111,393,611</b></u>	<u><b>\$ 111,797,837</b></u>

This schedule has been prepared from the District's *Statement of Net Position*, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2019

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Capital assets, net of depreciation, are the historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Gross capital assets increased approximately \$11.7 million due to the projects funded by the general obligation bond and lease revenue bonds. Current year depreciation expense was \$9.2 million for a net increase in our capital asset balance of \$3.1 million, net of disposals. Note 6 to the financial statements provides additional information on capital assets.

Long-term obligations consist primarily of general obligation and lease revenue bonds, aggregate net OPEB liability, and aggregate net pension obligation. At June 30, 2019, the District had \$180.0 million in debt outstanding due to the issuance of bonds and notes payable. Note 10 to the financial statements provides additional information on long-term obligations. At June 30, 2019, the District's aggregate net pension obligation was \$118.5 million. Note 12 to the financial statements provides additional information on the District's aggregate net pension obligation.

Many of the unrestricted assets have been designated by the Board or by contracts for such purposes as Federal and State grants, outstanding commitments on contracts, bookstore and cafeteria reserves, and general reserves for the ongoing financial health of the District.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2019

### Operating Results for the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
Tuition and fees (net)	\$ 11,831,081	\$ 11,402,107
Federal, State, and local grants and contracts, noncapital	53,847,453	42,823,794
Bookstore, net sales	4,964,728	5,334,380
<b>Total Operating Revenues</b>	<b><u>70,643,262</u></b>	<b><u>59,560,281</u></b>
<b>Operating Expenses</b>		
Salaries and benefits	124,936,177	109,674,004
Supplies, materials, and other operating expenses	27,614,179	26,718,592
Student financial aid	32,953,846	28,835,322
Depreciation	9,240,686	8,362,171
<b>Total Operating Expenses</b>	<b><u>194,744,888</u></b>	<b><u>173,590,089</u></b>
<b>Operating Loss</b>	<b><u>(124,101,626)</u></b>	<b><u>(114,029,808)</u></b>
<b>Nonoperating Revenues (Expenses)</b>		
State apportionments	35,265,046	36,526,368
Federal and State financial aid grants, noncapital	29,564,881	26,668,886
Property taxes	59,754,477	49,445,840
Other state revenues	3,642,283	4,656,349
Net interest and investment expense	(4,933,878)	(5,620,557)
Other nonoperating revenues	420,415	970,895
<b>Total Nonoperating Revenue (Expenses)</b>	<b><u>123,713,224</u></b>	<b><u>112,647,781</u></b>
<b>Other Revenues and (Losses)</b>		
State capital income	-	567,608
Local capital losses	-	(31,889)
Loss on disposal of capital assets	(15,824)	(42,134)
<b>Total Other Revenues and (Losses)</b>	<b><u>(15,824)</u></b>	<b><u>493,585</u></b>
<b>Change in Net Position</b>	<b><u>\$ (404,226)</u></b>	<b><u>\$ (888,442)</u></b>

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2019

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In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

### Statement of Functional Expenses for the Year Ended June 30, 2019

	Salaries and Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 63,641,609	\$ 3,103,450	\$ -	\$ -	\$ 66,745,059
Academic support	8,011,399	629,561	-	-	8,640,960
Student services	16,944,080	1,771,163	-	-	18,715,243
Plant operations and maintenance	4,457,306	3,685,025	-	-	8,142,331
Instructional support services	2,220,878	141,312	-	-	2,362,190
General institutional support services	16,150,985	4,715,132	-	-	20,866,117
Community services and economic development	2,292,162	2,077,676	-	-	4,369,838
Ancillary services and auxiliary operations	5,021,229	3,192,906	-	-	8,214,135
Student financial aid	-	-	32,953,846	-	32,953,846
Physical property and related acquisitions	195,187	7,008,406	-	-	7,203,593
Planning, policymaking, and coordination	6,001,342	1,289,548	-	-	7,290,890
Unallocated depreciation	-	-	-	9,240,686	9,240,686
<b>Total</b>	<b>\$ 124,936,177</b>	<b>\$ 27,614,179</b>	<b>\$ 32,953,846</b>	<b>\$ 9,240,686</b>	<b>\$ 194,744,888</b>

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSIONS AND ANALYSIS JUNE 30, 2019

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The *Statement of Cash Flows* provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

### Statement of Cash Flows for the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
<b>Cash From</b>		
Operating activities	\$ (106,756,463)	\$ (97,744,870)
Noncapital financing activities	114,929,825	107,394,446
Capital financing activities	(13,560,799)	(9,030,398)
Investing activities	1,446,318	1,373,724
<b>Net Change in Cash</b>	(3,941,119)	1,992,902
<b>Cash, Beginning of Year</b>	98,728,919	96,736,017
<b>Cash, End of Year</b>	<u><u>\$ 94,787,800</u></u>	<u><u>\$ 98,728,919</u></u>

The primary operating receipts are student tuition and fees and auxiliary sales. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is nonoperating as it comes from the general resources of the State and not from the primary users of the District's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

### ***CONTACTING THE DISTRICT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District at: Chaffey Community College District, 5885 Haven Avenue, Rancho Cucamonga, California 91737-3002.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION – PRIMARY GOVERNMENT  
JUNE 30, 2019**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 4,361,768
Investments - unrestricted	83,012,484
Investments - restricted	7,413,548
Accounts receivable	7,793,609
Student receivables, net	2,392,446
Due from fiduciary funds	22,608
Inventories	1,108,406

**Total Current Assets**

106,104,869

**Noncurrent Assets**

Nondepreciable capital assets	52,402,649
Depreciable capital assets, net of depreciation	250,346,726

**Total Noncurrent Assets**

302,749,375

**TOTAL ASSETS**

408,854,244

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refunding	10,451,233
Deferred outflows of resources related to pensions	35,883,475
Deferred outflows of resources related to OPEB	2,017,860

**TOTAL DEFERRED OUTFLOWS OF RESOURCES**

48,352,568

**LIABILITIES**

**Current Liabilities**

Accounts payable	18,685,197
Accrued interest payable	733,751
Due to fiduciary funds	2,100,000
Unearned revenue	15,901,921
Bonds and notes payable	8,040,000
Energy optimization loan	16,015

**Total Current Liabilities**

45,476,884

**Noncurrent Liabilities**

Bonds and notes payable	171,973,617
Compensated absences payable	1,721,270
Aggregate net other postemployment benefits (OPEB) liability	3,550,928
Aggregate net pension obligation	118,489,524

**Total Noncurrent Liabilities**

295,735,339

**TOTAL LIABILITIES**

341,212,223

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	4,600,978
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**NET POSITION**

Net investment in capital assets	143,336,676
Restricted for:	
Debt service	14,370,146
Capital projects	12,659,592
Educational programs	3,168,060
Other activities	2,163,346
Unrestricted deficit	(64,304,209)

**TOTAL NET POSITION**

\$ 111,393,611

The accompanying notes are an integral part of these financial statements.



**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2019**

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**OPERATING REVENUES**

Student Tuition and Fees	\$ 24,993,487
Less: Scholarships discount and allowances	(13,162,406)
Net tuition and fees	<u>11,831,081</u>
Grants and Contracts, Noncapital	
Federal	5,131,922
State	48,344,554
Local	<u>370,977</u>
Total grants and contracts, noncapital	<u>53,847,453</u>
Sales	
Bookstore, net	<u>4,964,728</u>
<b>TOTAL OPERATING REVENUES</b>	<u><u>70,643,262</u></u>

**OPERATING EXPENSES**

Salaries	82,352,247
Employee benefits	42,583,930
Supplies, materials, and other operating expenses and services	27,614,179
Student financial aid	32,953,846
Depreciation	<u>9,240,686</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>194,744,888</u></u>

**OPERATING LOSS**

(124,101,626)

**NONOPERATING REVENUES (EXPENSES)**

State apportionments, noncapital	35,265,046
Federal financial aid grants, noncapital	27,076,233
State financial aid grants, noncapital	2,488,648
Local property taxes, levied for general purposes	45,571,986
Taxes levied for other specific purposes	14,182,491
State taxes and other revenues	3,642,283
Investment income	1,622,468
Interest expense on capital related debt	(6,891,456)
Investment income on capital asset - related debt	335,110
Transfer to fiduciary funds	(600,000)
Other nonoperating revenue	<u>1,020,415</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>123,713,224</u></u>

**LOSS BEFORE OTHER LOSSES**

(388,402)

**OTHER LOSSES**

Loss on disposal of capital assets	<u>(15,824)</u>
------------------------------------	-----------------

**CHANGE IN NET POSITION**

(404,226)

**NET POSITION, BEGINNING OF YEAR**

111,797,837

**NET POSITION, END OF YEAR**

\$ 111,393,611

The accompanying notes are an integral part of these financial statements.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 12,403,955
Grants and contracts	51,928,072
Auxiliary enterprise sales	4,964,728
Payments to or on behalf of employees	(117,525,098)
Payments to vendors for supplies and services	(25,574,274)
Payments to students for scholarships and grants	(32,953,846)
<b>Net Cash Flows From Operating Activities</b>	<u>(106,756,463)</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	35,660,574
Financial aid grants	29,564,881
Property taxes - non-debt related	45,571,986
State taxes and other apportionments	2,827,454
Other nonoperating	1,304,930
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>114,929,825</u>

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Property taxes - related to capital debt	14,182,491
Acquisition and construction of capital assets	(13,429,071)
Deferred charges on refunding	1,015,887
Principal paid on capital debt and leases	(8,744,314)
Interest paid on capital debt	(6,920,902)
Interest received on capital asset - related debt	335,110
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(13,560,799)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>1,446,318</u>
-------------------	------------------

<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(3,941,119)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>98,728,919</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 94,787,800</u>

The accompanying notes are an integral part of these financial statements.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT, (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

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**RECONCILIATION OF OPERATING LOSS TO NET CASH  
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (124,101,626)</u>
Adjustments to Reconcile Operating Loss to Net Cash	
Flows From Operating Activities:	
Depreciation	9,240,686
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows	
Receivables	(1,101,377)
Inventories	305,958
Accounts payable and accrued liabilities	2,786,676
Unearned revenue	(245,130)
Compensated absences payable	(7,440)
Aggregate net pension obligation	7,402,909
Aggregate net OPEB liability	(890,368)
Deferred outflows of resources related to pensions and OPEB	199,740
Deferred inflows of resources related to pensions	(346,491)
<b>Total Adjustments</b>	<u>17,345,163</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (106,756,463)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:**

Cash in banks	\$ 4,361,768
Cash with County Treasury	83,012,484
Investments	7,413,548
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 94,787,800</u></u>

**NON CASH TRANSACTIONS**

California Promise Grants	\$ 13,162,406
On behalf payments for benefits	6,313,890
	<u><u>\$ 19,476,296</u></u>

The accompanying notes are an integral part of these financial statements.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<b>Retiree OPEB Trust</b>	<b>Other Trust Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 1,246,939
Investments	7,365,916	844,711
Accounts receivable	-	12,557
Due from primary government	1,500,000	600,000
<b>Total Assets</b>	<b>8,865,916</b>	<b>2,704,207</b>
<b>LIABILITIES</b>		
Accounts payable	-	14,741
Due to primary government	-	22,608
Unearned revenue	-	116,456
<b>Total Liabilities</b>	<b>-</b>	<b>153,805</b>
<b>NET POSITION</b>		
Restricted for postemployment benefits other than pensions	8,865,916	-
Restricted	-	1,444,711
Unrestricted	-	1,105,691
<b>Total Net Position</b>	<b>\$ 8,865,916</b>	<b>\$ 2,550,402</b>

The accompanying notes are an integral part of these financial statements.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Retiree OPEB Trust</b>	<b>Other Trust Funds</b>
<b>ADDITIONS</b>		
Interest and investment income	\$ 360,151	\$ -
District contributions	2,017,860	-
Local revenues	-	1,410,823
<b>Total Additions</b>	<b>2,378,011</b>	<b>1,410,823</b>
<b>DEDUCTIONS</b>		
Classified salaries	-	31,960
Employee benefits	517,860	3,573
Books and supplies	-	3,153
Administrative expenses	64,396	-
Services and operating expenditures	-	825,257
<b>Total Deductions</b>	<b>582,256</b>	<b>863,943</b>
<b>OTHER FINANCING SOURCES</b>		
Operating transfers in	-	600,000
<b>Change in Net Position</b>	<b>1,795,755</b>	<b>1,146,880</b>
<b>Net Position - Beginning of Year</b>	<b>7,070,161</b>	<b>1,403,522</b>
<b>Net Position - End of Year</b>	<b>\$ 8,865,916</b>	<b>\$ 2,550,402</b>

The accompanying notes are an integral part of these financial statements.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **NOTE 1 - ORGANIZATION**

The Chaffey Community College District (the District) was established in 1916 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of San Bernardino County. The District operates under a locally elected five-member Governing Board form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, Special Revenue funds, Capital Project funds, and Proprietary funds, but these budgets are managed at the department level. Currently, the District operates one community college located in Rancho Cucamonga, California and two State-approved centers in Fontana and Chino, California, as well as several satellite facilities. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

### **Financial Reporting Entity**

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This Statement amends Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. The District has evaluated the Chaffey Community College Foundation, Inc. and has determined the relationship does not meet the criteria of a component unit and has not included the financial information in this report.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted 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 specifically restricted for the repayment of capital debt.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### 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 represent investments required to be set aside by the District for the purpose of satisfying certain requirements.

### Accounts Receivable

Accounts receivable include amounts due from the 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 also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$563,393 for the year ended June 30, 2019.

### Inventories

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

### Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 for machinery and equipment, and an estimated useful life greater than one year. For buildings and improvements the District uses \$150,000 as an initial unit capitalization threshold. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation.

Improvements are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 20 years; equipment, 2 to 15 years; and vehicles, 5 to 10 years.



# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Accrued Liabilities and Long-Term Obligations**

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

### **Debt Premiums**

Debt premiums are amortized over the life of the bonds using the straight-line method.

### **Deferred Charges on Refunding**

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the new or old debt, whichever is shorter.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. Payments for the aggregate net pension obligation will be paid by the fund for which the employee worked.

### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by the District's OPEB Plan and MPP. For this purpose, the District's OPEB Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Payments for the aggregate net OPEB liability will be paid by the Self-Insurance Fund.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The amounts have been reported in the fund from which the employees, who have accumulated leave, are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year, and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

### Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, loan payable, aggregate net OPEB liability, and aggregate net pension obligation with maturities greater than one year.

### Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent 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 net asset categories:

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.

**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.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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. The government-wide financial statements report \$32,361,144 of restricted net position.

### Operating Revenues and Expenses

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

**Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

**Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

**Classification of Expenses** - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

**Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

**Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

### State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

### Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The voters of the District passed a General Obligation Bond in March 2002 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

### **Scholarships, Discounts, and Allowances**

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

### **Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG) Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

### **Estimates**

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

### **Interfund Activity**

Interfund transfers and interfund receivables and payables are eliminated during the consolidated process in the Primary Government and Fiduciary Funds' financial statements, respectively.

### **Change 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). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the 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.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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 August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

### ***NOTE 3 - DEPOSITS AND INVESTMENTS***

#### **Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within 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 priority security; and collateralized mortgage obligations.

#### **Investment in County Treasury**

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.



# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Other Investments

The District maintains investments outside the San Bernardino County Investment Pool as allowed by the District's investment policy. The investments are stated at fair value as determined by quoted market prices.

### General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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
Joint Powers Authority Pools	N/A	None	None

### Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**Summary of Deposits and Investments**

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

Primary government	\$ 94,787,800
Fiduciary funds	9,457,566
Total Deposits and Investments	<u>\$ 104,245,366</u>
Cash on hand and in banks	\$ 5,553,207
Cash in revolving	55,500
Investments	98,636,659
Total Deposits and Investments	<u>\$ 104,245,366</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment Pool, municipal bonds, and mutual funds.

**Specific Identification**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
San Bernardino County Investment Pool	\$ 83,442,276	424
Investment Money Market Funds	545,250	N/A
Municipal Bonds	6,919,940	5,595
Mutual Funds	8,210,627	N/A
Total	<u>\$ 99,118,093</u>	

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Investment Pool was rated by Fitch Ratings. The District's Investment Money Market Funds and Municipal Bonds were rated by Standards & Poor's as of June 30, 2019 as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating June 30, 2019</u>
San Bernardino County Investment Pool	\$ 83,442,276	AAAf/S1
Investment Money Market Funds	545,250	N/A
Municipal Bonds	6,919,940	AA-
Mutual Funds	8,210,627	N/A
Total	<u>\$ 99,118,093</u>	

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance \$5,008,013 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Bernardino County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Uncategorized</u>
San Bernardino County Investment Pool	\$ 83,442,276	\$ -	\$ 83,442,276
Investment Money Market Funds	545,250	545,250	-
Municipal Bonds	6,919,940	6,919,940	-
Mutual Funds	8,210,627	8,210,627	-
Total	<u>\$ 99,118,093</u>	<u>\$ 15,675,817</u>	<u>\$ 83,442,276</u>

All assets have been valued using a market approach, with quoted market prices.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 1,503,514
State Government	
Apportionment	427,345
Categorical aid	1,875,647
Lottery	717,594
Other State sources	802,696
Local Sources	
Property taxes	1,383,940
Interest	514,523
Other local sources	568,350
Total	<u>\$ 7,793,609</u>
Student receivables	\$ 2,955,839
Less allowance for bad debt	(563,393)
Student receivables, net	<u>\$ 2,392,446</u>
	<u>Fiduciary Funds</u>
Other local	<u>\$ 12,557</u>

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the primary government for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 51,556,772	\$ -	\$ -	\$ 51,556,772
Construction in progress	8,483,629	9,480,479	17,118,231	845,877
Total Capital Assets Not Being Depreciated	<u>60,040,401</u>	<u>9,480,479</u>	<u>17,118,231</u>	<u>52,402,649</u>
Capital Assets Being Depreciated				
Buildings and improvements	306,824,136	15,133,751	-	321,957,887
Machinery and equipment	39,164,644	4,854,873	644,031	43,375,486
Total Capital Assets Being Depreciated	<u>345,988,780</u>	<u>19,988,624</u>	<u>644,031</u>	<u>365,333,373</u>
Total Capital Assets	<u>406,029,181</u>	<u>29,469,103</u>	<u>17,762,262</u>	<u>417,736,022</u>
Less Accumulated Depreciation				
Buildings and improvements	89,927,638	6,986,662	-	96,914,300
Machinery and equipment	16,446,530	2,254,024	628,207	18,072,347
Total Accumulated Depreciation	<u>106,374,168</u>	<u>9,240,686</u>	<u>628,207</u>	<u>114,986,647</u>
Net Capital Assets	<u>\$ 299,655,013</u>	<u>\$ 20,228,417</u>	<u>\$ 17,134,055</u>	<u>\$ 302,749,375</u>

Depreciation expense for the year was \$9,240,686.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 7 - INTERFUND TRANSACTIONS

#### Interfund Receivables/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 primary government and fiduciary funds has 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. As of June 30, 2019, the fiduciary funds owed the primary government \$22,608 and the primary government owed the fiduciary funds \$2,100,000.

#### 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. During the 2019 fiscal year, the primary government transferred \$600,000 to the fiduciary funds.

### NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government
Accrued payroll and benefits	\$ 4,755,934
State apportionment	9,673,017
State categorical	497,026
Construction	488,599
Vendor payables	3,270,621
Total	<u>\$ 18,685,197</u>
	Fiduciary Funds
Other liabilities	<u>\$ 14,741</u>

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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***NOTE 9 - UNEARNED REVENUE***

Unearned revenue at June 30, 2019, consisted of the following:

		<u>Primary Government</u>
Federal categorical aid		\$ 37,507
State categorical aid		10,652,835
Other State		77,713
Enrollment fees		4,756,742
Other local		<u>377,124</u>
	Total	<u>\$ 15,901,921</u>
		<u>Fiduciary Funds</u>
Other local		<u>\$ 116,456</u>



**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds, Series 2012D	\$ 12,130,000	\$ -	\$ -	\$ 12,130,000	\$ -
General obligation bonds, Series 2012E	7,250,000	-	1,100,000	6,150,000	1,145,000
General obligation bonds, 2012 Refunding Bonds	41,280,000	-	1,950,000	39,330,000	2,170,000
General obligation bonds, 2014 Refunding Bonds	78,280,000	-	3,350,000	74,930,000	3,650,000
2017 Lease revenue refunding bonds	14,270,000	-	135,000	14,135,000	205,000
Lease revenue bonds, Series 2017	17,455,000	-	700,000	16,755,000	730,000
Unamortized bond premium	16,396,408	-	1,312,791	15,083,617	-
Redevelopment agreement payable	1,640,000	-	140,000	1,500,000	140,000
Total Bonds and Notes Payable	<u>188,701,408</u>	<u>-</u>	<u>8,687,791</u>	<u>180,013,617</u>	<u>8,040,000</u>
<b>Other Liabilities</b>					
Compensated absences	1,728,710	-	7,440	1,721,270	-
Energy optimization loan	72,538	-	56,523	16,015	16,015
Aggregate net other postemployment benefits (OPEB) liability	4,441,296	-	890,368	3,550,928	-
Aggregate net pension obligation	111,086,615	7,402,909	-	118,489,524	-
Total Other Liabilities	<u>117,329,159</u>	<u>7,402,909</u>	<u>954,331</u>	<u>123,777,737</u>	<u>16,015</u>
Total Long-Term Obligations	<u>\$ 306,030,567</u>	<u>\$ 7,402,909</u>	<u>\$ 9,642,122</u>	<u>\$ 303,791,354</u>	<u>\$ 8,056,015</u>

**Description of Long-term Obligations**

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property tax revenues.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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During the 2018 fiscal year, the District issued the 2017 Lease Revenue Refunding Bonds. The District received proceeds in the amount of \$14,470,000 to refund the remaining outstanding balances of the 2006 and 2008 Series Lease Revenue Bonds. The refunding resulted in a present value cash flow savings to the District of \$1,862,215 discounted at 2.23 percent. The bonds mature beginning on May 1, 2018 through May 1, 2032, with interest rates of 2.23 and 4.24 percent. At June 30, 2019, \$14,135,000 was outstanding. Payments will be made from the Capital Outlay Projects Fund.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$377,091. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2032 using the straight-line method. The deferred charge on refunding balance at June 30, 2019, was \$353,013.

During the 2018 fiscal year, the District issued the 2017 Lease Revenue Bonds. The District received proceeds in the amount of \$18,300,000 to fund the construction of a solar panel covered parking lot. The bonds mature beginning on May 1, 2018 through May 1, 2036, with an interest rate of 4.25 percent. At June 30, 2019, \$16,755,000 was outstanding. Payments will be made from the Unrestricted General Fund.

During the 2005 fiscal year, the District entered into an agreement with the Fontana Redevelopment Agency to assist in the expansion of the Chaffey College Ralph M. Lewis Fontana Center. The agency purchased the land on behalf of the District, and the District agreed to pay \$3,600,000 for the land in annual payments of \$140,000. Payments will be made from the Unrestricted General Fund. At June 30, 2019, the outstanding balance was \$1,500,000.

The compensated absences will be paid by the fund for which the employee worked.

During the 2013 fiscal year, the District entered into three loan agreements with Southern California Edison that totaled \$634,204. These agreements provided the District with various energy efficient equipment. The monthly payments vary by loan and will continue through the 2020 fiscal year. The outstanding balance at June 30, 2019, was \$16,015. Payments will be made from the unrestricted General Fund.

The aggregate net OPEB liability will be paid out of the Self-Insurance Fund.

The aggregate net pension obligation will be paid by the fund for which the employee worked.

### **Bonded Debt**

#### **2012 General Obligation Bonds, Series D**

During August 2012, the District issued the 2012 General Obligation Bonds, Series D, in the amount of \$12,130,000. The bonds mature beginning on June 1, 2026 through June 1, 2037, with interest rates ranging from 2.80 percent to 3.63 percent. The unamortized premium balance at June 30, 2019, was \$1,033,578. At June 30, 2019, \$12,130,000 was outstanding.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **2012 General Obligation Bonds, Series E**

During August 2012, the District issued the 2012 General Obligation Bonds, Series E, in the amount of \$15,305,000. The bonds mature beginning on June 1, 2013 through June 1, 2024, with interest rates ranging from 2.00 percent to 5.00 percent. The unamortized premium balance at June 30, 2019, was \$837,279. At June 30, 2019, \$6,150,000 was outstanding.

### **2012 General Obligation Refunding Bonds**

In August 2012, the District issued \$47,020,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease all remaining outstanding 2002 General Obligation Bonds, Series A, and a portion of the 2005 General Obligation Bonds, Series B, and pay the associated costs with the issuance of the bonds. The refunding defeased \$48,465,000 of the old debt. The bonds mature beginning on June 1, 2013 through June 1, 2030. Interest rates range from 2.00 percent to 5.00 percent.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$6,459,556. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2028 using the straight-line method. The deferred charge on refunding balance at June 30, 2019, was \$3,652,523. The unamortized premium balance at June 30, 2019, was \$5,115,743. The outstanding principal balance of the bonds at June 30, 2019, was \$39,330,000.

### **2014 General Obligation Refunding Bonds**

In September 2014, the District issued \$84,675,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease all remaining outstanding 2005 General Obligation Bonds, Series B, and a portion of the 2007 General Obligation Bonds, Series C, and pay the associated costs with the issuance of the bonds. The refunding defeased \$86,005,000 of the old debt. The bonds mature beginning on June 1, 2015 through June 1, 2032. Interest rates range from 1.00 percent to 5.00 percent.

Because the transaction qualified as a legal defeasance, the obligation for the defeased bonds has been removed from the District's financial statements. The economic gain calculated as the sum of the project fund proceeds and the net present value savings is approximately \$7,600,000.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$9,375,561. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2030 using the straight-line method. The deferred charge on refunding balance at June 30, 2019, was \$6,445,697. The unamortized premium balance at June 30, 2019, was \$8,097,017. The outstanding principal balance of the bonds at June 30, 2019, was \$74,930,000.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

The outstanding general obligation bonded debt is as follows:

Issuance	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2018	Additions	Redeemed	Outstanding June 30, 2019
2012 Series D	2037	2.80-3.63%	12,130,000	\$ 12,130,000	\$ -	\$ -	\$ 12,130,000
2012 Series E	2024	2.00-5.00%	15,305,000	7,250,000	-	1,100,000	6,150,000
2012 Refunding	2030	2.00-5.00%	47,020,000	41,280,000	-	1,950,000	39,330,000
2014 Refunding	2032	1.00-5.00%	84,675,000	78,280,000	-	3,350,000	74,930,000
				<u>\$ 138,940,000</u>	<u>\$ -</u>	<u>\$ 6,400,000</u>	<u>\$ 132,540,000</u>

**Debt Service Requirements to Maturity**

The General Obligation Bonds, Series 2012 D, mature through 2037 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ -	\$ 580,550	\$ 580,550
2021	-	580,550	580,550
2022	-	580,550	580,550
2023	-	580,550	580,550
2024	-	580,550	580,550
2025-2029	3,855,000	2,536,000	6,391,000
2030-2034	4,795,000	1,597,550	6,392,550
2035-2037	3,480,000	353,500	3,833,500
Total	<u>\$ 12,130,000</u>	<u>\$ 7,389,800</u>	<u>\$ 19,519,800</u>

The General Obligation Bonds, Series 2012 E, mature through 2024 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 1,145,000	\$ 254,100	\$ 1,399,100
2021	1,190,000	208,300	1,398,300
2022	1,220,000	178,550	1,398,550
2023	1,265,000	129,750	1,394,750
2024	1,330,000	66,500	1,396,500
Total	<u>\$ 6,150,000</u>	<u>\$ 837,200</u>	<u>\$ 6,987,200</u>

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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The 2012 Refunding General Obligation Bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 2,170,000	\$ 2,024,375	\$ 4,194,375
2021	2,390,000	1,926,875	4,316,875
2022	2,620,000	1,840,075	4,460,075
2023	2,900,000	1,738,500	4,638,500
2024	3,190,000	1,607,500	4,797,500
2025-2029	20,990,000	5,559,250	26,549,250
2030	5,070,000	752,750	5,822,750
Total	<u>\$ 39,330,000</u>	<u>\$ 15,449,325</u>	<u>\$ 54,779,325</u>

The 2014 Refunding General Obligation Bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 3,650,000	\$ 3,476,554	\$ 7,126,554
2021	3,975,000	3,312,236	7,287,236
2022	4,305,000	3,130,574	7,435,574
2023	4,655,000	2,932,205	7,587,205
2024	5,055,000	2,716,205	7,771,205
2025-2029	31,760,000	9,746,168	41,506,168
2030-2032	21,530,000	2,084,149	23,614,149
Total	<u>\$ 74,930,000</u>	<u>\$ 27,398,091</u>	<u>\$ 102,328,091</u>

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Lease Revenue Bonds**

The 2017 Lease Revenue Refunding Bonds, mature through 2032 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 205,000	\$ 205,000	\$ 410,000
2021	260,000	260,000	520,000
2022	475,000	475,000	950,000
2023	1,045,000	1,045,000	2,090,000
2024	1,135,000	503,182	1,638,182
2025-2029	6,445,000	1,742,958	8,187,958
2030-2032	4,570,000	344,606	4,914,606
Total	\$ 14,135,000	\$ 4,575,746	\$ 18,710,746

The Lease Revenue Bonds, Series 2017, mature through 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 730,000	\$ 704,437	\$ 1,434,437
2021	760,000	673,200	1,433,200
2022	785,000	640,475	1,425,475
2023	815,000	607,006	1,422,006
2024	845,000	571,838	1,416,838
2025-2029	4,730,000	2,280,762	7,010,762
2030-2034	5,630,000	1,197,544	6,827,544
2035-2036	2,460,000	130,369	2,590,369
Total	\$ 16,755,000	\$ 6,805,631	\$ 23,560,631

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**Redevelopment Agreement Payable**

Principal is due through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2020	\$ 140,000
2021	140,000
2022	140,000
2023	140,000
2024	140,000
2025-2029	700,000
2030	100,000
Total	<u>\$ 1,500,000</u>

**Loan Payable**

The loan payments are due as follows:

<u>Year Ending June 30,</u>	<u>Loan Payment</u>
2020	<u>\$ 16,015</u>

**Compensated Absences**

At June 30, 2019, the liability for compensated absences was \$1,721,270.

**Aggregate Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2019, the District reported an aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 3,036,267	\$ 2,017,860	\$ (987,410)
Medicare Premium Payment (MPP) Program	514,661	-	(46,142)
Total	<u>\$ 3,550,928</u>	<u>\$ 2,017,860</u>	<u>\$ (1,033,552)</u>

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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The details of each plan are as follows:

### **District Plan**

#### *Plan Administration*

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.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Chaffey Community College District Retirement Board of Authority.

#### *Plan Membership*

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	39
Active employees	507
	<hr/>
	546
	<hr/>

### **Retiree Health Benefit OPEB Trust**

The District's Futuris OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Chaffey Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

#### *Benefits Provided*

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

#### *Contributions*

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by management and the District's governing board. For fiscal year 2017-2018, the District contributed \$1,874,676 to the Plan, \$574,676 was used for current premiums, and \$1,300,000 was transferred to the OPEB irrevocable trust.



# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Investment

#### *Investment Policy*

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%

#### *Rate of Return*

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.05 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net OPEB Liability of the District

The District's net OPEB liability of \$3,036,267 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 June 30, 2017. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 10,106,428
Plan fiduciary net position	<u>7,070,161</u>
District's net OPEB liability	<u><u>\$ 3,036,267</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>70%</u>

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study as of February 2017.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	9.3%
Fixed income	4.8%
International equity	8.8%
Real estate	8.0%
Cash	1.0%

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### *Discount Rate*

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### **Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 9,319,400	\$ 5,438,907	\$ 3,880,493
Service cost	750,237	-	750,237
Interest	611,467	-	611,467
Contributions - employer	-	1,874,676	(1,874,676)
Net investment income	-	393,342	(393,342)
Benefit payments	(574,676)	(574,676)	-
Administrative expense	-	(62,088)	62,088
Net change in total OPEB liability	787,028	1,631,254	(844,226)
Balance at June 30, 2018	<u>\$ 10,106,428</u>	<u>\$ 7,070,161</u>	<u>\$ 3,036,267</u>

There were no changes in benefit terms since the previous valuation.

There were no changes of assumptions and other inputs since the previous valuation.

### *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (5.50%)	\$ 3,780,902
Current discount rate (6.50%)	3,036,267
1% increase (7.50%)	2,363,814

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### *Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 1,193,528
Current healthcare cost trend rate (4.00%)	3,036,267
1% increase (5.00%)	5,225,606

### **Deferred Outflows of Resources Related to OPEB**

At June 30, 2019, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$2,017,860 and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$514,661 for its proportionate share of the net OPEB liability for the MPP Program. The net 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 June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1345 percent and 0.1333, respectively, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(46,142).

### Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018 is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 569,241
Current discount rate (3.87%)	514,661
1% increase (4.87%)	465,379

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare Costs Trend rates that is one percent lower or higher than the current rate:

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 469,319
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	514,661
1% increase (4.7% Part A and 5.1% Part B)	563,425

### **Aggregate Net Pension Obligation**

At June 30, 2019, the liability for the aggregate net pension obligation amounted to \$118,489,524. See Note 12 for additional information.

### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability Insurance Coverages**

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. During fiscal year ending June 30, 2019, the District contracted with the Southern California Schools Risk Management (SCSRM) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2019, the District participated in the Southern California Schools Risk Management (SCSRM) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
CSAC	Workers' Compensation	\$ 125,000
Schools' Excess Liability Fund	Excess Workers' Compensation	125,000
Southern California Schools Risk Management	Property and Liability	1,000,000

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of California State Teachers' Retirement System (CalSTRS) and classified employees are members of California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	Collective Net Pension Obligation	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 68,848,355	\$ 21,739,455	\$ 4,317,200	\$ 9,319,655
CalPERS	49,641,169	14,144,020	283,778	9,728,298
Total	<u>\$ 118,489,524</u>	<u>\$ 35,883,475</u>	<u>\$ 4,600,978</u>	<u>\$ 19,047,953</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by 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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**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.

The 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 nonemployer contributing entity to the STRP.



# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution 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 \$7,353,946.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the 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 the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 68,848,355
State's proportionate share of net pension liability associated with the District	39,418,903
Total	<u>\$ 108,267,258</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0749 percent and 0.0736 percent, respectively, resulting in a net increase in the proportionate share of 0.0013 percent.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized pension expense of \$9,319,655. In addition, the District recognized pension expense and revenue of \$4,630,832 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,353,946	\$ -
Net change in proportionate share of net pension liability	3,476,236	666,043
Differences between projected and actual earnings on the pension plan investments	-	2,651,097
Differences between expected and actual experience in the measurement of the total pension liability	213,496	1,000,060
Changes of assumptions	10,695,777	-
Total	<u>\$ 21,739,455</u>	<u>\$ 4,317,200</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 575,627
2021	(417,691)
2022	(2,224,167)
2023	(584,866)
Total	<u>\$ (2,651,097)</u>

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,682,976
2021	2,682,976
2022	2,682,973
2023	2,352,414
2024	2,183,358
Thereafter	134,709
Total	<u>\$ 12,719,406</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the 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
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

### Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 percent) 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 following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 100,854,784
Current discount rate (7.10%)	68,848,355
1% increase (8.10%)	42,311,920

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### California Public Employees' Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' 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, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

CalPERS 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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, 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. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 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 CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 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 a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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 actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions were \$4,294,665.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$49,641,169. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1862 percent and 0.1801 percent, respectively, resulting in a net increase in the proportionate share of 0.0061 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$9,728,298. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,294,665	\$ -
Net change in proportionate share of net pension liability	1,231,440	283,778
Differences between projected and actual earnings on the pension plan investments	407,169	-
Differences between expected and actual experience in the measurement of the total pension liability	3,254,294	-
Changes of assumptions	4,956,452	-
Total	<u>\$ 14,144,020</u>	<u>\$ 283,778</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,480,963
2021	354,158
2022	(1,134,950)
2023	(293,002)
Total	<u>\$ 407,169</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,843,036
2021	3,954,910
2022	1,360,462
Total	<u>\$ 9,158,408</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the 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
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. 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. Based on these assumptions, the School Employer Pool 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 following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 72,275,169
Current discount rate (7.15%)	49,641,169
1% increase (8.15%)	30,863,027



# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to \$3,294,506 (7.293 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

### Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its plan. Contributions are made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings. An employee is required to contribute 6.20 percent of his or her gross earnings to the plan.

## *NOTE 13 - COMMITMENTS AND CONTINGENCIES*

### Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

### Litigation

The District is involved in various litigation 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.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Construction Commitments**

As of June 30, 2019, the District had the following commitment with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Measure L Buildout Projects	<u>\$ 306,104</u>	FY 2019-2020

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

***NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Southern California Schools Risk Management (SCSRM) joint powers authority (JPA) public entity risk sharing pools for property/liability and the Southern California Schools Employee Benefits Association (SCSEBA) JPA public entity risk sharing pools for workers' compensation. The District pays annual premiums to both entities for its workers' compensation and property liability coverage. The relationship between the District and both pools is such that it is not a component unit of the District for financial reporting purposes.

These JPAs 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 JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2019, the District made payments of \$881,850 and \$1,206,142 to SCSRM and SCSEBA, respectively.

***NOTE 15 – SUBSEQUENT EVENTS***

On September 4, 2019, the District issued \$185,000,000 of Election 2018 Series 2019A (Federally Tax-exempt) and \$15,000,000 of Election of 2018 Series 2019A-1 (Federally Taxable) General Obligation Bonds. The proceeds of the bonds will be issued to finance the acquisition, construction, modernization, and equipping of District sites and facilities, and to pay the costs of issuing the bonds. The bonds will be repaid by the District through June 1, 2048 with semi-annual interest payments commencing on June 1, 2020, at rates ranging from 2.25 percent to 5.00 percent.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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On September 4, 2019, the District issued \$50,425,000 of 2019 General Obligation Refunding Bonds. The proceeds of the bonds were issued to advance refund the District's outstanding Election of 2002 General Obligation Bonds, Series 2012D, advance refund the District's outstanding Election of 2002 General Obligation Bonds, Series 2012E, advance refund the District's outstanding 2012 General Obligation Refunding Bonds, and pay the costs of issuing the 2019 General Obligation Refunding Bonds. The refunding is projected to save the District \$5,117,841 using a discount rate of 2.17%. The bonds will be repaid by the District through June 1, 2036 with semi-annual interest payments, commencing on June 1, 2020, with rates ranging from 1.638 percent to 2.609 percent.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 750,237	\$ 718,091
Interest	611,467	562,860
Benefit payments	(574,676)	(541,533)
<b>Net changes in total OPEB liability</b>	787,028	739,418
<b>Total OPEB Liability - beginning</b>	9,319,400	8,579,982
<b>Total OPEB Liability - ending (a)</b>	<u>\$ 10,106,428</u>	<u>\$ 9,319,400</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,874,676	\$ 3,385,533
Net investment income	393,342	434,835
Benefit payments	(574,676)	(541,533)
Administrative expense	(62,088)	(42,729)
<b>Net change in plan fiduciary net position</b>	1,631,254	3,236,106
<b>Plan fiduciary net position - beginning</b>	5,438,907	2,202,801
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 7,070,161</u>	<u>\$ 5,438,907</u>
<b>District's net OPEB liability - ending (a) - (b)</b>	<u>\$ 3,036,267</u>	<u>\$ 3,880,493</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>69.96%</u>	<u>58.36%</u>
<b>Covered-employee payroll</b>	<u>\$ 68,949,009</u>	<u>\$ 68,241,447</u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>4.40%</u>	<u>5.69%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OPEB INVESTMENT RETURNS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	6.05%	9.74%

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

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Year ended June 30,	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1345%</u>	<u>0.1333%</u>
District's proportionate share of the net OPEB liability	<u>\$ 514,661</u>	<u>\$ 560,803</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.40%</u>	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note*: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0749%</u>	<u>0.0736%</u>
District's proportionate share of the net pension liability	\$ 68,848,355	\$ 68,092,086
State's proportionate share of the net pension liability associated with the District	39,418,903	40,282,703
Total	<u>\$ 108,267,258</u>	<u>\$ 108,374,789</u>
District's covered-employee payroll	<u>\$ 42,885,752</u>	<u>\$ 41,039,579</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>160.54%</u>	<u>165.92%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.1862%</u>	<u>0.1801%</u>
District's proportionate share of the net pension liability	\$ 49,641,169	\$ 42,994,529
District's covered-employee payroll	<u>\$ 25,355,695</u>	<u>\$ 23,009,929</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>195.78%</u>	<u>186.85%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.



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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0748%</u>	<u>0.0720%</u>	<u>0.0675%</u>
\$ 60,538,782	\$ 48,490,236	\$ 39,441,623
<u>34,463,649</u>	<u>25,645,989</u>	<u>23,816,555</u>
<u>\$ 95,002,431</u>	<u>\$ 74,136,225</u>	<u>\$ 63,258,178</u>
<u>\$ 38,045,116</u>	<u>\$ 36,400,980</u>	<u>\$ 32,999,679</u>
<u>159.12%</u>	<u>133.21%</u>	<u>119.52%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1756%</u>	<u>0.1836%</u>	<u>0.1848%</u>
\$ 34,682,765	\$ 27,068,929	\$ 20,982,604
\$ 21,036,811	\$ 20,268,437	\$ 19,485,358
<u>164.87%</u>	<u>133.55%</u>	<u>107.68%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 7,353,946	\$ 6,188,414
Contributions in relation to the contractually required contribution	7,353,946	6,188,414
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 45,171,658</u>	<u>\$ 42,885,752</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 4,294,665	\$ 3,937,993
Contributions in relation to the contractually required contribution	4,294,665	3,937,993
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 23,777,350</u>	<u>\$ 25,355,695</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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2017	2016	2015
\$ 5,162,779	\$ 4,082,241	\$ 3,232,407
5,162,779	4,082,241	3,232,407
\$ -	\$ -	\$ -
\$ 41,039,579	\$ 38,045,116	\$ 36,400,980
12.58%	10.73%	8.88%
\$ 3,195,619	\$ 2,492,231	\$ 2,385,595
3,195,619	2,492,231	2,385,595
\$ -	\$ -	\$ -
\$ 23,009,929	\$ 21,036,811	\$ 20,268,437
13.888%	11.847%	11.771%

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - There were no changes of assumptions since the previous valuation.

#### **Schedule of OPEB Investment Returns**

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

#### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP Program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

#### **Schedule of District Contributions for Pensions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



**SUPPLEMENTARY INFORMATION**

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2019

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Chaffey Community College was founded as a private college in 1883, and was one of the first colleges to be established in California. Chaffey Community College has been publicly supported since 1916. The College District is comprised of approximately 310 square miles in the western portion of San Bernardino County. The curriculum offered includes lower division courses for students planning to transfer to a four-year college or university. Also offered are general education courses designed to provide continuing educational opportunities to students. The District serves the communities of Rancho Cucamonga, Upland, Ontario, Chino, Chino Hills, Fontana, and Montclair. The College is accredited through the Western Association of Schools and Colleges.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Gloria Negrete McLeod	President	June 2020
Gary C. Ovitt	Vice President	June 2020
Lee C. McDougal	Clerk	June 2020
Kathleen R. Brugger	Member	June 2022
Katherine J. Roberts	Member	June 2022
Nikeenia Williams	Student Trustee	May 2020

### ADMINISTRATION

Henry D. Shannon, Ph.D.	Superintendent/President
Laura Hope	Acting Associate Superintendent, Instruction and Institutional Effectiveness
Lisa Bailey	Associate Superintendent, Business Services and Economic Development
Melanie Siddiqi	Vice President, Administrative Affairs
Eric Bishop, Ed.D.	Vice President, Student Services
Alisha Rosas	Executive Director, Equity, Outreach and Communications

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063		\$ 26,621,782	\$ -
Federal Pell Grant Program Administrative Allowance	84.063		41,905	-
Federal Supplemental Educational Opportunity Grants	84.007		454,450	-
Federal Supplemental Educational Opportunity Grants Administrative Allowance	84.007		22,793	-
Federal Work-Study Program	84.033		575,841	-
Federal Work-Study Program Administrative Allowance	84.033		28,792	-
Total Student Financial Assistance Cluster			27,745,563	-
TRIO Cluster:				
Upward Bound	84.047A		292,933	-
Total TRIO Cluster			292,933	-
Title III STEM	84.031C		924,786	-
Developing Hispanic Serving Institutions Program (Title V)	84.031S		658,046	-
Child Care Access Means Parents in School (CCAMPIS) Grant	84.335A		254,730	-
Passed through California Community Colleges Chancellor's Office				
CTE Transitions	84.048A	18-C01-008	41,377	-
Career and Technical Education Act, Perkins Title I, Part C	84.048A	18-C01-008	717,136	-
<b>Total U.S. Department of Education</b>			30,634,571	-
<b>U.S. DEPARTMENT OF LABOR</b>				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants				
Passed through from MiraCosta Community College District	17.282		913,831	675,010
America's Promise Grant	17.268	[1]	174,001	-
<b>Total U.S. Department of Labor</b>			1,087,832	675,010
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Forest Service Schools and Roads Cluster				
Forest Reserve	10.665		47,451	-
Total Forest Service Schools and Roads Cluster			47,451	-
Passed through California Department of Education				
Child and Adult Care Food Program	10.558	04374-CACFP- 36-CC-IC	88,047	-
<b>Total U.S. Department of Agriculture</b>			135,498	-

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through Subrecipients
<b>NATIONAL SCIENCE FOUNDATION</b>				
Research and Development Cluster:				
Passed through Regents of the University of California Advancing Theory and Application in Perceptual and Adaptive Learning to Improve Community College Mathematics	47.076	0875 G UD181	\$ 10,282	\$ -
Total Research and Development Cluster			<u>10,282</u>	<u>-</u>
<b>U.S. DEPARTMENT OF VETERAN AFFAIRS</b>				
Vocational Rehabilitation for Disabled Veterans	64.116		<u>6,020</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Temporary Assistance for Needy Families (TANF) Cluster:				
Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	116,878	-
Passed through County of San Bernardino Transitional Assistance Department Vocational Education and Training	93.558	[1]	<u>76,287</u>	<u>-</u>
Total Temporary Assistance for Needy Families (TANF) Cluster			<u>193,165</u>	<u>-</u>
Child Care and Development Fund (CCDF) Cluster:				
Passed through California Department of Education Child Care and Development Block Grant	93.575	15136	42,432	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	92,305	-
Passed through Yosemite Community College District Child Development Training Consortium	93.575	[1]	<u>6,050</u>	<u>-</u>
Total Child Care and Development Fund (CCDF) Cluster			<u>140,787</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>333,952</u>	<u>-</u>
<b>Total Expenditures of Federal Programs</b>			<u>\$ 32,208,155</u>	<u>\$ 675,010</u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.



**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Revenues				Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		
Part-time Faculty Allocation	\$ 910,834	\$ -	\$ -	\$ -	\$ 910,834	\$ 910,834
Adult Education Block Grant	384,156	-	-	117,114	267,042	267,042
Basic Skills	1,244,149	-	-	728,156	515,993	515,993
CAFYES Next Up	877,340	-	478,562	-	398,778	398,778
Cal Grants	2,491,943	-	-	-	2,491,943	2,491,943
California Apprenticeship Initiative	-	171,303	-	-	171,303	171,303
California Promise Grant	505,836	-	-	419,922	85,914	85,914
CalWORKS	696,288	-	15,382	-	680,906	680,906
Campus Child Care Tax Bailout	153,218	-	-	-	153,218	153,218
Campus Safety	12,846	-	-	-	12,846	12,846
CAN expansion	75,000	-	-	1,205	73,795	73,795
Care Program	151,545	-	-	-	151,545	151,545
CCC Broadband and Connectivity Equipment Grant	100,000	-	-	-	100,000	100,000
COE Desert	40,000	60,000	-	-	100,000	100,000
COE Fee Based Contracts	306,030	7,900	-	148,198	165,732	165,732
COE RCC	132,437	-	-	75,919	56,518	56,518
COE Technical Assistance Provider - Desert	-	100,000	-	-	100,000	100,000
Community College Completion Grant	199,894	-	-	-	199,894	199,894
CTE Data Unlocked	49,574	-	-	-	49,574	49,574
Deputy Sector Navigator	169,958	58,632	-	-	228,590	228,590
DPS	1,641,057	-	-	-	1,641,057	1,641,057
Employment Training Grant	-	709,225	-	29,260	679,965	679,965
Extended Opportunity Program and Services (EOPS)	1,300,028	-	-	-	1,300,028	1,300,028
Financial Aid Technology	208,883	-	-	3,519	205,364	205,364
Full-time Student Success Grant	319,500	-	-	-	319,500	319,500
General Child Care and Development	265,204	7,063	-	-	272,267	272,267

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
General-State portion	\$ 359,862	\$ -	\$ -	\$ -	\$ 359,862	\$ 359,862
Growing Inland Achievement	114,559	-	-	33,090	81,469	81,469
Guided Pathways	1,035,079	-	-	519,009	516,070	516,070
Health Services	890,226	-	3,082	-	887,144	887,144
Higher Aims Improvement Network	18,680	-	-	15,778	2,902	2,902
Hunger Free Campus Support	180,433	-	-	96,052	84,381	84,381
Innovation in Higher Education	1,000,000	-	-	986,184	13,816	13,816
Instructional Equipment	414,497	-	-	233,058	181,439	181,439
Internal Training Program	72,212	33,534	-	56,060	49,686	49,686
ISPIC	-	64,000	-	31,510	32,490	32,490
Lottery	1,981,619	717,594	-	-	2,699,213	2,699,213
Maker Space Grant	87,993	60,277	-	-	148,270	148,270
Mandated Costs	478,608	-	-	-	478,608	478,608
Matriculation	3,642,880	-	-	1,091,075	2,551,805	2,551,805
Mental Health Support	145,726	-	-	145,726	-	-
Non Credit Matriculation	114,198	-	-	57,099	57,099	57,099
Nursing Enrollment Grant	202,212	-	-	-	202,212	202,212
Parking	1,532,608	-	-	-	1,532,608	1,532,608

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
Physical Plant and Instructional Equipment Block Grant	\$ 2,949,815	\$ -	\$ -	\$ 1,250,896	\$ 1,698,919	\$ 1,698,919
Prop 39 Mini Grant HVAC	94,212	-	-	-	94,212	94,212
Renewing Communities Grant	1,903	-	-	-	1,903	1,903
SCSJPA School and Health Services Fitness Mini Grant	133,333	-	-	133,333	-	-
Sector Navigator	-	372,000	-	-	372,000	372,000
SSSP	1,656,543	-	-	-	1,656,543	1,656,543
Staff Development	58,686	-	-	58,686	-	-
Staff Diversity	63,853	-	-	13,166	50,687	50,687
State Meal Reimbursement	4,903	-	-	-	4,903	4,903
Strong Workforce	4,101,869	-	-	1,254,621	2,847,248	2,847,248
Strong Workforce Regional	471,843	231,713	-	-	703,556	703,556
Strong Workforce State	2,449,242	-	-	2,274,942	174,300	174,300
Student Equity	2,567,876	-	-	516,092	2,051,784	2,051,784
Student Financial Assistance Programs (BFAP)	743,936	-	-	6,018	737,918	737,918
Student Success Completion Grant	1,833,142	-	-	322,181	1,510,961	1,510,961
Veterans Resource Center	97,125	-	-	34,966	62,159	62,159
Total State Programs	<u>\$ 41,735,393</u>	<u>\$ 2,593,241</u>	<u>\$ 497,026</u>	<u>\$ 10,652,835</u>	<u>\$ 33,178,773</u>	<u>\$ 33,178,773</u>

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2019**

<b>CATEGORIES</b>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2018 only)</b>			
1. Noncredit*	49.14	-	49.14
2. Credit	1,641.63	-	1,641.63
<b>B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)</b>			
1. Noncredit*	-	-	-
2. Credit	733.80	-	733.80
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,261.23	-	10,261.23
(b) Daily Census Contact Hours	1,551.08	-	1,551.08
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	315.87	-	315.87
(b) Credit	410.96	-	410.96
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,351.59	-	1,351.59
(b) Daily Census Procedure Courses	600.68	-	600.68
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>16,915.98</u>	<u>-</u>	<u>16,915.98</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	352.11	-	352.11
2. Credit	266.82	-	266.82
Centers FTES			
1. Noncredit*	15.31	-	15.31
2. Credit	2,932.27	-	2,932.27

\* Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<b>Academic Salaries</b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 19,278,476	\$ -	\$ 19,278,476	\$ 19,278,476	\$ -	\$ 19,278,476
Other	1300	17,183,566	-	17,183,566	17,183,566	-	17,183,566
<b>Total Instructional Salaries</b>		<b>36,462,042</b>	<b>-</b>	<b>36,462,042</b>	<b>36,462,042</b>	<b>-</b>	<b>36,462,042</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	8,394,811	-	8,394,811
Other	1400	-	-	-	666,083	-	666,083
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,060,894</b>	<b>-</b>	<b>9,060,894</b>
<b>Total Academic Salaries</b>		<b>36,462,042</b>	<b>-</b>	<b>36,462,042</b>	<b>45,522,936</b>	<b>-</b>	<b>45,522,936</b>
<b>Classified Salaries</b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	17,454,041	-	17,454,041
Other	2300	-	-	-	809,973	-	809,973
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>18,264,014</b>	<b>-</b>	<b>18,264,014</b>
<b>Instructional Aides</b>							
Regular Status	2200	2,104,133	-	2,104,133	2,104,133	-	2,104,133
Other	2400	1,064,471	-	1,064,471	1,064,471	-	1,064,471
<b>Total Instructional Aides</b>		<b>3,168,604</b>	<b>-</b>	<b>3,168,604</b>	<b>3,168,604</b>	<b>-</b>	<b>3,168,604</b>
<b>Total Classified Salaries</b>		<b>3,168,604</b>	<b>-</b>	<b>3,168,604</b>	<b>21,432,618</b>	<b>-</b>	<b>21,432,618</b>
Employee Benefits	3000	13,985,654	-	13,985,654	27,536,297	-	27,536,297
Supplies and Material	4000	-	-	-	1,426,923	-	1,426,923
Other Operating Expenses	5000	-	-	-	10,259,672	-	10,259,672
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>53,616,300</b>	<b>-</b>	<b>53,616,300</b>	<b>106,178,446</b>	<b>-</b>	<b>106,178,446</b>

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ 31,651	\$ -	\$ 31,651
Student Health Services Above Amount Collected	6441	-	-	-	(2,185)	-	(2,185)
Student Transportation	6491	-	-	-	723,473	-	723,473
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	206,497	-	206,497
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 2,812,877	\$ -	\$ 2,812,877
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	3,772,313	-	3,772,313
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 53,616,300	\$ -	\$ 53,616,300	\$ 102,406,133	\$ -	\$ 102,406,133
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		52.36%		52.36%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 51,203,067		\$ 51,203,067

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.



**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)  
EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Revenue:	8630				\$ 16,205,427
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 16,205,427	\$ -	\$ -	\$ 16,205,427
<b>Total Expenditures for EPA</b>		\$ 16,205,427	\$ -	\$ -	\$ 16,205,427
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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**Amounts Reported for Governmental Activities in the  
Statement of Net Position are Different Because:**

**Total Fund Balance and Retained Earnings**

General Fund	\$ 24,914,085	
Special Revenue Funds	5,137,280	
Capital Projects Funds	22,825,292	
Debt Service Funds	15,103,897	
Proprietary Funds	1,432,920	
Fiduciary Funds	<u>4,277</u>	
		<b>\$ 69,417,751</b>

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:	417,736,022	
Accumulated depreciation is:	<u>(114,986,647)</u>	
		302,749,375

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.

(733,751)

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) are included with governmental activities.

10,451,233

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	11,648,611	
Net change in proportionate share of net pension liability	4,707,676	
Differences between projected and actual earnings on the pension plan investments	407,169	
Differences between expected and actual experience in the measurement of the total pension liability	3,467,790	
Changes of assumptions	<u>15,652,229</u>	
Total Deferred Outflows of Resources Related to Pensions		35,883,475

See accompanying note to supplementary information.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION, (CONTINUED)  
JUNE 30, 2019**

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Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	\$ (949,821)	
Differences between projected and actual earnings on the pension plan investments	(2,651,097)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(1,000,060)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (4,600,978)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.

2,017,860

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 and notes payable	180,013,617	
Compensated absences	1,721,270	
Energy optimization loan	16,015	
Aggregate net OPEB liability	3,550,928	
Aggregate net pension obligation	<u>118,489,524</u>	
		<u>(303,791,354)</u>
<b>Total Net Position</b>		<b><u>\$ 111,393,611</u></b>

See accompanying note to supplementary information.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **District Organization**

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

#### **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 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 (F&A) costs of the Uniform Guidance, as they have obtained a negotiated rate of 30 percent through June 30, 2019.

#### **Schedule of Expenditures of State Awards**

The accompanying Schedule of Expenditures of State 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 State Chancellor's Office.

#### **Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance**

FTES 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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

#### **Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation**

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

#### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

#### **Proposition 30 Education Protection Account (EPA) Expenditure Report**

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



## **INDEPENDENT AUDITOR'S 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***

Board of Trustees  
Chaffey Community College District  
Rancho Cucamonga, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Chaffey 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 18, 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 opinion 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 a 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 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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California  
December 18, 2019





## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Chaffey Community College District  
Rancho Cucamonga, California

### Report on Compliance for Each Major Federal Program

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements described in the *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 Auditor's 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.

### Auditor's 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 considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 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 in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose



Rancho Cucamonga, California  
December 18, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Chaffey Community College District  
Rancho Cucamonga, California

### Report on State Compliance

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State 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; 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 2018-2019 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District did not receive Apprenticeship Related Supplemental Instruction (RSI) Funds during the year; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

The District did not receive Proposition 1D and 51 State Bond Funded Projects during the year; therefore, the compliance tests within this section were not applicable.



Rancho Cucamonga, California  
December 18, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 966,245</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.



**CHAFFEY COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# CHAFFEY COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

### *Financial Statement Findings*

None reported.

### *Federal Awards Findings*

None reported.

### *State Awards Findings*

None reported.