



Financial Statements
June 30, 2023

Chaffey Community College District

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Independent Auditor's Report

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of Chaffey Community College District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. As a result of implementing the standard, there was no effect on the District's business-type activities beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18 and other required supplementary schedules on pages 63 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by 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), and other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of content are 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 22, 2023 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, and 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 22, 2023

Overview of the Financial Statements

The following management's discussion and analysis provides an overview of the financial position and activities of the District's Financial Report as of and for the year ended June 30, 2023. The report includes three basic financial statements that provide information on the District as a whole: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

The Fiscal Accountability and Standards Committee of the California Community Colleges Chancellor's Office (Chancellor's Office) has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes. Nearly all public colleges and universities nationwide have selected the BTA reporting model, which makes it easier to display comparable data. As such, the District uses the BTA model for reporting its financial statements. Under the BTA model, state and local taxes and investment income are classified as nonoperating revenues.

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 liabilities. 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.

Enrollment Highlights

Due in part to the COVID-19 pandemic, the District has experienced a 17.5% decline in Full Time Equivalent Students (FTES) since fiscal year 2018-19 going from 16,951 FTES to 13,984 FTES in 2022-23. However, due to the Emergency Conditions Allowance (ECA) provided by the State, the District continues to be funded at the 2019-20 level of 16,948 FTES. During 2022-23, factored FTES increased 1,107 or 8%. The District is anticipating an increase in FTES in fiscal year 2023-24 over what was reported in 2022-23 as our students adapt to the new environment.

A history of reported resident FTES is provided below.

	Credit	Special Admit Credit	Incarcerated Credit	Career Development & College Prep	Non-Credit	Total FTES
2018-19	16,204	342	53	-	353	16,951
2019-20	16,133	313	116	78	308	16,948
2020-21	10,317	451	61	14	70	10,914
2021-22	11,945	598	71	170	93	12,877
2022-23	12,236	1,200	57	218	273	13,984

The projected unfactored FTES for 2023-24 is 16,387. The 2023-24 projection is based upon the adopted budget assumption developed by the Chaffey College Office of Budgeting & Fiscal Services and assumes that the District will bring forward 2,415.90 FTES generated in the summer 2023 semester and increased apportionment generated in the 2023-24 primary terms (fall 2023 and spring 2024).

The economic position of the District is closely tied to the State of California, as State apportionments allocated to the District in 2022-23 represented over 80% of the Unrestricted General Fund revenues.

To maximize student success and stabilize funding, in 2018-19 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 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. In 2019-20, the SCFF rates were memorialized in statute. The statute specifies that rates will increase by the cost-of-living adjustments (COLA) as appropriated in subsequent budget acts. The District's Cost of Living Adjustment (COLA), which is applied to all the funding rates, was 6.56%.

FINANCIAL HIGHLIGHTS

- There are three components to the SCFF. The Base Allocation (70% of funding) is driven by enrollment and the size of colleges and number of centers. The actual factored FTES per the 2022-23 apportionment attendance report was 13,984.11. This is an increase of 1,107.33 FTES from the prior year actual FTES of 12,876.78. The Supplemental Allocation (20% of funding) includes AB540 Students, Pell Grant recipients and Promise Grant recipient metrics. Lastly, the Success Allocation (10% of funding) includes metrics for Associate Degrees for Transfers, Associate Degrees, Baccalaureate Degrees, Credit Certificates, Transfer Level Math and English, Transfer to a Four-Year University, Nine or More CTE Units, and Regional Living Wage.
- The COVID-19 pandemic and resulting workforce disruption continue to challenge the California Community Colleges in 2022-23. Section 58146 provides criteria for funding allowances due to emergency conditions. This allowance permits districts to request that FTES from a period prior to the onset of the emergency condition be used for apportionment funding purposes. The District applied for that allowance for 2020-21 and was in place during 2020-21, 2021-22 and 2022-23.
- At the close of the 2022-23 fiscal year, the unrestricted General Fund reserve met the California Community Colleges Chancellor's Office recommendation to maintain a minimum of two months unrestricted expenditures. By maintaining this reserve, the District will have funds available for unanticipated expenditures and budget uncertainties.
- To assist with COVID-19 related costs to convert to on-line classes, to continue operations, and to provide emergency financial assistant to students, the District expensed \$20,234,149 in restricted federal Higher Education Emergency Relief (HEERF) funds, \$630 in Federal SFRF-Emergency Financial Aid Assistance Grants, \$1,671,095 in state COVID-19 Response Block Grant funds, and \$58,971 in state Disaster Relief Emergency Student Financial Aid in 2022-2023. These funds can be used for student financial aid and other COVID-19 related institutional costs.

- Chaffey College continues to operate as a fiscally independent district and 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, 2023 was \$15.8 million. 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 liability as of June 30, 2023 and 2022 was \$118.4 million and \$73.4 million, respectively. The change in aggregate net pension liability is contributed to the measurement date captured the unprecedented investment results from the unfavorable stock market activity that occurred during that period.
- The state pension plans are currently underfunded and employer rates for PERS are anticipated to continue to increase over the next several years. The STRS rates are currently set at the statutory maximum of 19.1 percent. During the 2016-17 fiscal year, the District established an irrevocable pension stabilization 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) pension liabilities. The investment balance in this trust as of June 30, 2023 was \$27.7 million. Additional deposits will continue each year in order to maintain the fund and defray the increases for the District's budgeted benefit expenses.
- In 2002, district residents approved Measure L, a \$229.83 million general obligation bond that has transformed the Chaffey campuses. In the years since that vote, the college has fulfilled its promise to provide the community with state-of-the-art learning facilities. As of June 30, 2023, the total available funds from proceeds and interest earnings amount to approximately \$251.6 million. Of which \$249.3 million has been committed (expensed or encumbered) and \$2.3 million is allocated or available to projects.

- In 2018, a general obligation bond proposition for \$700 million (Measure P) was approved by the voters of the district with the first \$200 million issued in September 2019 to fund the first phase of projects over the next 36-48 months. Measure P provides the district with funds to add an additional campus, construct new buildings and make improvements to its infrastructure. Funds continue to be used to build new classrooms and rehabilitate existing classrooms and labs. Additionally, improvements are being made to Chaffey's electrical capacity and wiring for technology. Chaffey has also expanded opportunities for job training and dual enrollment for high school students, which aims to promote and enhance economic and job development. Funds from the first issuance of Measure P are also now contributing to projects as described in the Vision 2025 Facilities Master Plan. Consistent with the Measure P projects plan, the purchase of approximately 19 acres of land in the city of Ontario was completed during the 2021-22 fiscal year for the development of an Ontario Campus. For the period of 2022-23, Measure P has on-going construction of one instructional building on the Chino campus and the Library Learning Commons building on the Rancho campus. Other project plans are in the development stages for both bond funds. As of June 30, 2023, the total available funds from proceeds, unissued proceeds and interest earnings amount to approximately \$704.4 million. Of which \$132.6 million has been committed (expensed or encumbered) and \$571.8 million is allocated or available to projects.

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.

Condensed financial information is as follows:

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

	2023	2022, as restated	Change
Assets			
Cash and investments	\$ 405,330,222	\$ 355,970,925	\$ 49,359,297
Receivables	38,247,921	29,495,275	8,752,646
Other current assets	473,629	584,839	(111,210)
Net OPEB asset	-	1,553,766	(1,553,766)
Capital and right-to-use subscription IT assets, net	334,100,775	327,573,433	6,527,342
Total assets	<u>778,152,547</u>	<u>715,178,238</u>	<u>62,974,309</u>
Deferred Outflows of Resources	<u>61,517,973</u>	<u>48,303,396</u>	<u>13,214,577</u>
Liabilities			
Accounts payable and accrued liabilities	104,987,207	66,596,117	38,391,090
Current portion of long-term liabilities	14,745,975	16,270,889	(1,524,914)
Noncurrent portion of long-term liabilities	444,728,852	415,937,454	28,791,398
Total liabilities	<u>564,462,034</u>	<u>498,804,460</u>	<u>65,657,574</u>
Deferred Inflows of Resources	<u>15,538,868</u>	<u>54,350,390</u>	<u>(38,811,522)</u>
Net Position			
Net investment in capital assets	174,242,753	156,718,828	17,523,925
Restricted	122,651,005	103,124,985	19,526,020
Unrestricted deficit	<u>(37,224,140)</u>	<u>(49,517,029)</u>	<u>12,292,889</u>
Total net position	<u>\$ 259,669,618</u>	<u>\$ 210,326,784</u>	<u>\$ 49,342,834</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.

Total assets increased approximately \$63.0 million, a percentage increase of 8.8%. The major changes affecting total assets are listed below:

- Investments increased \$41.6 million (12.8%) as a result of the increase of unearned revenue.
- Capital and right-to-use subscription IT assets, net of depreciation and amortization, are the historical value (original cost) of land, buildings, construction in progress, equipment, and subscription-based software less accumulated depreciation and amortization. Gross capital assets increased approximately \$16.9 million due to the projects funded by the Measure L & P bond programs. Current year depreciation expense was \$10.1 million for a net increase in our capital asset balance of \$6.5 million, net of disposals. Note 6 to the financial statements provides additional information on capital and right-to-use subscription IT assets.

In addition to assets, the District reported a separate section for 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 outflow of resources (expense/expenditure) until then.

Total liabilities increased by approximately \$65.7 million, a percentage increase of 13.16%. The major changes affecting total liabilities are listed below:

- Unearned revenue increased \$30.3 million (104.6%) as a result of additional one time and new grants received related to Learning-Aligned Employment Program (LAEP), State Fiscal Recovery Fund (SFRF) and Covid-19 Recovery Block Grant amounting to \$17.0 million. In addition, \$12.0 million of Education Protection Act (EPA) funds were deferred.
- Long-term liabilities consist primarily of general obligation and lease revenue bonds, aggregate net OPEB liability, and the aggregate net pension liability. At June 30, 2023, the District had \$336.2 million in debt outstanding due to the issuance of bonds and notes payable. Note 7 to the financial statements provides additional information on long-term liabilities. At June 30, 2023, the District's aggregate net pension liability was \$118.4 million. Note 10 to the financial statements provides additional information on the District's aggregate net pension liability.

In addition to liabilities, the District reported 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 an inflow of resources (revenue) until that time.

Fund Balance Reserves

As recommended by the Chancellor's Office, the District has adopted a formal policy to maintain sufficient unrestricted reserves with a suggested minimum of two months of total general fund operating expenditures. The District ended the year with a strong fund balance. The ability to maintain a prudent reserve affords cash flow stability for the District without external borrowing.

The reserves are established as follows:

	2021-22 Actual	2022-2023 Actual	2023-2024 Adopted Budget
Board Designated Reserve	\$9,377,915	\$25,231,480	\$27,545,521
Board Designated Project Reserves	<u>18,040,000</u>	<u>18,040,000</u>	<u>12,540,000</u>
Total Unrestricted Fund Reserves	<u>\$27,417,915</u>	<u>\$43,271,480</u>	<u>\$40,085,521</u>

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

Chaffey Community College District
Management's Discussion and Analysis
June 30, 2023

	2023	2022*	Change
Operating Revenues			
Tuition and fees, net	\$ 6,642,880	\$ 4,887,114	\$ 1,755,766
Grants and contracts, noncapital	55,659,790	78,731,516	(23,071,726)
Auxiliary sales and charges	4,667,335	4,812,091	(144,756)
Total operating revenues	<u>66,970,005</u>	<u>88,430,721</u>	<u>(21,460,716)</u>
Operating Expenses			
Salaries and benefits	129,238,430	111,836,715	17,401,715
Supplies, services, equipment, and maintenance	29,689,331	31,319,996	(1,630,665)
Student financial aid	42,684,051	61,712,052	(19,028,001)
Depreciation and amortization	11,701,582	9,880,508	1,821,074
Total operating expenses	<u>213,313,394</u>	<u>214,749,271</u>	<u>(1,435,877)</u>
Operating loss	<u>(146,343,389)</u>	<u>(126,318,550)</u>	<u>(20,024,839)</u>
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	72,773,554	64,369,581	8,403,973
Property taxes	76,569,147	72,736,341	3,832,806
Student financial aid grants	29,510,854	26,527,054	2,983,800
State revenues	6,338,454	5,548,868	789,586
Net interest expense	(3,361,058)	(14,441,256)	11,080,198
Other nonoperating revenues	2,461,919	1,872,803	589,116
Total nonoperating revenue (expenses)	<u>184,292,870</u>	<u>156,613,391</u>	<u>27,679,479</u>
Other Revenues (Losses)			
State and local capital income and losses	<u>11,393,353</u>	<u>4,153,939</u>	<u>7,239,414</u>
Change in net position	<u>\$ 49,342,834</u>	<u>\$ 34,448,780</u>	<u>\$ 14,894,054</u>

* The revenues and expenses for the year ended June 30, 2023 were not restated to show the effects of the implementation of GASB Statement No. 96 for comparative purposes.

Operating Revenues

Total operating revenues decreased by approximately \$21.5 million (24.27%). Items of significance affecting the changes include:

- Federal revenues decreased \$28.8 million (-56.16%). This is primarily due to the decrease in the Covid-19 Higher Education Emergency Refund Funds (HEERF).

Operating Expenses

Total operating expenses decreased approximately \$1.4 million (0.67%). Items of significance affecting the changes include:

- Salaries and benefits increased \$17.4 million (15.56%) and makes up 61% of the District's total operating expenses. The increase is due to salary schedule increases, changes in the state pension plans, and the OPEB deferred inflows and outflows.
- Student financial aid decreased \$19.0 million (-30.83%) due to a reduction in available Higher Education Emergency Relief Funds (HEERF).

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) increased by \$27.7 million (17.67%). Items of significance affecting the changes include:

- Investment income increased \$12.1 million and investment income (loss) on capital asset-related debt, net increased \$969.3 thousand as a result of the favorable market conditions for the trust funds and higher interest rates.

Other Revenues

Other revenues increased by \$7.2 million (174.28%). Items of significance affecting the changes include:

- State revenues, capital increased \$6.7 million as a result of an increase Physical Plant and Instructional Support received through apportionment.

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.

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown as follows:

	Salaries and Employee Benefits	Supplies, Materials, and Other Expenses and Services	Student Financial Aid	Depreciation and Amortization	Total
Instructional activities	\$ 64,468,189	\$ 2,133,686	\$ -	\$ -	\$ 66,601,875
Academic support	7,135,636	443,391	-	-	7,579,027
Student services	19,534,733	1,563,500	-	-	21,098,233
Plant operations and maintenance	4,141,956	1,200,354	-	-	5,342,310
Instructional support services	28,833,330	10,417,969	-	-	39,251,299
Community services and economic development	1,953,817	971,568	-	-	2,925,385
Ancillary services and auxiliary operations	2,871,590	2,425,720	-	-	5,297,310
Student aid	-	-	42,684,051	-	42,684,051
Physical property and related acquisitions	299,179	10,533,143	-	-	10,832,322
Unallocated depreciation and amortization	-	-	-	11,701,582	11,701,582
Total	<u>\$ 129,238,430</u>	<u>\$ 29,689,331</u>	<u>\$ 42,684,051</u>	<u>\$ 11,701,582</u>	<u>\$ 213,313,394</u>

Statement of Cash Flows

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.

	2023	2022	Change
Net Cash Flows from			
Operating activities	\$(102,687,809)	\$(115,712,993)	\$ 13,025,184
Noncapital financing activities	162,429,366	169,601,025	(7,171,659)
Capital financing activities	(14,445,759)	(6,538,533)	(7,907,226)
Investing activities	<u>(12,959,173)</u>	<u>(12,847,235)</u>	<u>(111,938)</u>
Net Increase in Cash	32,336,625	34,502,264	(2,165,639)
Cash, Beginning of Year	<u>345,329,389</u>	<u>310,827,125</u>	<u>34,502,264</u>
Cash, End of Year	<u>\$ 377,666,014</u>	<u>\$ 345,329,389</u>	<u>\$ 32,336,625</u>

The primary operating receipts are student tuition and fees, federal and state grant, 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.

Economic Outlook and Factors Affecting Next Year's Budget

The 2023-24 Chaffey College unrestricted general fund budget includes \$164,187,249 in unrestricted general fund income and \$165,273,123 in unrestricted general fund expenditures. The District's budget includes an 8.22% COLA, which is applied to the state Chancellor's Office Student Centered Funding Formula.

The annual budget, which includes the general and other funds, is an important planning document approved by the Governing Board each year. The proposed adopted budget supports the policies approved by the Governing Board, including the Board requirement to maintain at least a minimum of two months of expenditures in the unrestricted general fund reserve. High interest rates increase the uncertainty of revenue projections and the 2023-24 State Budget suggests a significant revenue shortfall related to the downturn in the stock market and the delay of 2022 tax filings. To protect the district against economic uncertainties, prudent fiscal measures have been implemented, including projecting and planning for future liabilities, such as PERS & STRS increases and other postemployment benefits (OPEB).

The District will continue its commitment to teaching and learning with an emphasis on student access and completion. The institutional goals supported by the budget include:

- Be an equity-driven college that fosters success for all students.
- Ensure learning and timely completion of students' educational goals.
- Develop and maintain programs and services that maximize students' opportunities and reflect community needs.
- Optimize the use of technological tools and infrastructure to advance institutional efficiency and student learning.
- Efficiently and effectively manage systems, processes, and resources to maximize capacity.
- Responsively adapt to changes in students' academic and career needs.
- Prioritize and align professional learning for all employees to support the achievement of Chaffey Goals.

Current Year Summary

The District's total Full-Time Equivalent Students (FTES) in 2022/23 was 13,929.13. Due to eligible revenue protection, the District was funded for 16,773.19 FTES. With over 70% of classes online and working remote for half of the fiscal year, along with the continued support of HEERF restricted funds for most COVID-19 related costs, resulted in a surplus of \$2,328,788 for 2022/23. The District continues to fund long term liability trusts to help offset future costs.

2023-24 State Overview

The Governor signed the 2023-24 Budget Act on July 10, 2023, and revenue has fallen significantly short of projections, resulting in an estimated \$31.5 billion state deficit. The budget deficit is intricately linked to the stock market, particularly in the technology sector, which plays a pivotal role in the state economy. Interest rate increases and the delay of the state income tax filing deadline to October has contributed to the uncertainty of revenue projections. The state's effort to build reserves over recent fiscal years will help mitigate the impact of the deficit, along with other strategies and mechanisms to close the projected shortfall, including funding delays, reductions of prior year budgets, and internal fund shifts and borrowing. Community College resources include both ongoing and one-time funding. The ongoing funding includes a base increase for the Student-Centered Funding Formula (SCFF) with an 8.22% COLA which has also been applied to many of the categorical programs. One-time funding includes continued retention and reenrollment efforts, workforce training grants, and an LGBTQ+ pilot program.

Student-Centered Funding Formula (SCFF)

California community colleges are funded under the Student-Centered Funding Formula (SCFF). Total funding under the SCFF is comprised of a Base Allocation component, a Supplemental Equity Allocation component, and a Student Success component. The Base Allocation, which primarily provides enrollment-based funding, utilizing a 3-year average of full-time equivalent students (FTES), comprises 70% of a district's total state apportionment funding. The Supplemental Equity Allocation, which provides additional funding for economically disadvantaged students, defined as AB 540 students, students receiving a State fee-waiver grant, or students receiving a Pell grant, comprises 20% of a district's total state apportionment. Lastly, the Student Success component of the formula provides funding based on a point system for specific performance measure outcomes utilizing a 3-year average of qualifying headcounts. The Student Success component comprises the remaining 10% of a district's total state apportionment.

The 2023-24 enacted Budget, including COLA, applied the SCFF rates as follows:

Allocation	Funding Rates
Credit FTES	\$5,238
Incarcerated Credit	\$7,346
Special Admit Credit	\$7,346
Career Development College Preparation (CDCP)	\$7,346
Noncredit	\$4,417
Supplemental Point Value	\$1,239
Student Success Main Point Value	\$730
Student Success Equity Point Value	\$184

Challenges

Chaffey College continues to support enrollment, student retention and reengagement. Maintaining higher operation and technology costs became necessary when Chaffey pivoted to enhance instructional modalities and provide a variety of student services. Continued support for our infrastructure investment remains a priority with our “new” normal.

Strategies

Last year Chaffey College initiated an Enrollment Recovery Taskforce to address FTES and enrollment strategies. The strategies include expanding programming, improve processes, and increasing touchpoints. This plan includes short-term and long-term strategies to recover and maintain FTES. Chaffey will continue to implement these strategies and utilizes available and allowable restricted funding for technology infrastructure.

Legislative Update

On December 7, 2023, the Legislative Analyst's Office issued the 2024-25 Budget: California Fiscal Outlook communicating that the State of California faces a \$68 billion deficit. The state has expensed an unprecedented prior-year revenue shortfall. While addressing a deficit of this scope will be challenging, the Legislature has a number of options available to do so. This communication may effect our 2023-24 adopted budget and will be incorporated into our subsequent budget planning.

District Fiduciary Responsibility

The Futuris Public Entity Investment Trust Retiree Benefit OPEB Trust (the OPEB Trust) is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits other than pensions. The Trust Board of Authority comprised of the Associate Superintendent of Business Services & Economic Development, Executive Director of Business Services, Director of Budgeting and Grants Compliance, Director of Human Resources, Internal Auditor, provide oversight over Trust investment and plan administration. As such, the District acts as the fiduciary of the Trust and has included the financial statements within this report. Separate financial statements are not prepared for the Trust.

The District participates in the California Public Entity Pension Stabilization Trust (the PST). The PST was established to help California public entities stabilize the funding of their pension benefit liabilities by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of their funding obligation. The PST is an irrevocable governmental trust intended to qualify as a trust arrangement that is tax-exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code. The PST is administered by Benefit Trust Company as directed by the Board of Authority, of which, the District appoints one member. Because the District is the sole beneficiary of the PST, the fund does not meet the definition of a fiduciary activity, thus, the PST is reported as a blended component unit. Separate financial statements are not prepared for the PST.

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

June 30, 2023

Assets	
Cash and cash equivalents	\$ 39,110,412
Investments	366,219,810
Accounts receivable	36,073,164
Student receivables	2,174,757
Inventories	473,629
Capital and right-to-use subscription IT assets	
Nondepreciable capital assets	113,177,742
Depreciable capital assets, net of accumulated depreciation	218,995,114
Right-to-use subscription IT assets, net of accumulated amortization	1,927,919
Total capital and right-to-use subscription IT assets, net	334,100,775
Total assets	778,152,547
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	16,311,911
Deferred outflows of resources related to OPEB	7,045,857
Deferred outflows of resources related to pensions	38,160,205
Total deferred outflows of resources	61,517,973
Liabilities	
Accounts payable	42,725,519
Accrued interest payable	921,182
Due to fiduciary funds	2,000,000
Unearned revenue	59,340,506
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	14,745,975
Long-term liabilities other than OPEB and pensions, due in more than one year	325,597,789
Aggregate net other postemployment benefits (OPEB) liability	733,234
Aggregate net pension liability	118,397,829
Total liabilities	564,462,034
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	2,293,816
Deferred inflows of resources related to pensions	13,245,052
Total deferred inflows of resources	15,538,868
Net Position	
Net investment in capital assets	174,242,753
Restricted for	
Debt service	23,396,164
Capital projects	25,451,495
Educational programs	6,543,728
Other activities	67,259,618
Unrestricted deficit	(37,224,140)
Total net position	\$ 259,669,618

Chaffey Community College District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

Operating Revenues	
Tuition and fees	\$ 17,558,518
Less: Scholarship discounts and allowances	<u>(10,915,638)</u>
Net tuition and fees	<u>6,642,880</u>
Grants and contracts, noncapital	
Federal	22,510,585
State	32,519,417
Local	<u>629,788</u>
Total grants and contracts, noncapital	<u>55,659,790</u>
Auxiliary enterprise sales and charges	
Bookstore	<u>4,667,335</u>
Total operating revenues	<u>66,970,005</u>
Operating Expenses	
Salaries	95,692,151
Employee benefits	33,546,279
Supplies, materials, and other operating expenses and services	27,812,530
Student financial aid	42,684,051
Equipment, maintenance, and repairs	1,876,801
Depreciation and amortization	<u>11,701,582</u>
Total operating expenses	<u>213,313,394</u>
Operating Loss	<u>(146,343,389)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	72,773,554
Local property taxes, levied for general purposes	56,837,921
Taxes levied for other specific purposes	19,731,226
Federal and State financial aid grants	29,510,854
State taxes and other revenues	6,338,454
Investment income	5,790,353
Interest expense on capital related debt	(9,792,269)
Investment income on capital asset-related debt, net	640,858
Other nonoperating revenue	<u>2,461,919</u>
Total nonoperating revenues (expenses)	<u>184,292,870</u>
Income Before Other Revenues (Losses)	<u>37,949,481</u>
Other Revenues (Losses)	
State revenues, capital	7,204,891
Local revenues, capital	4,203,851
Loss on disposal of capital assets	<u>(15,389)</u>
Total other revenues (losses)	<u>11,393,353</u>
Change In Net Position	49,342,834
Net Position, Beginning of Year	<u>210,326,784</u>
Net Position, End of Year	<u><u>\$ 259,669,618</u></u>

Chaffey Community College District

Statement of Cash Flows

Year Ended June 30, 2023

Operating Activities	
Tuition and fees	\$ 7,861,549
Federal, state, and local grants and contracts, noncapital	92,082,041
Auxiliary sales	4,667,335
Payments to or on behalf of employees	(133,970,202)
Payments to vendors for supplies and services	(30,644,481)
Payments to students for scholarships and grants	<u>(42,684,051)</u>
Net Cash Flows From Operating Activities	<u>(102,687,809)</u>
Noncapital Financing Activities	
State apportionments	59,603,511
Federal and state financial aid grants	29,510,854
Property taxes - nondebt related	57,821,447
State taxes and other apportionments	6,448,353
Other nonoperating	<u>9,045,201</u>
Net Cash Flows From Noncapital Financing Activities	<u>162,429,366</u>
Capital Financing Activities	
Purchase of capital assets	(18,554,018)
State revenue, capital	6,228,724
Local revenue, capital	4,203,851
Property taxes - related to capital debt	19,731,226
Principal paid on capital debt	(16,529,885)
Interest paid on capital debt	(10,266,303)
Interest received on capital asset-related debt	<u>740,646</u>
Net Cash Flows From Capital Financing Activities	<u>(14,445,759)</u>
Investing Activities	
Purchase of investments	(17,022,672)
Change in fair value of cash in county treasury	(2,136,417)
Interest received from investments	<u>6,199,916</u>
Net Cash Flows From Investing Activities	<u>(12,959,173)</u>
Change In Cash and Cash Equivalents	32,336,625
Cash and Cash Equivalents, Beginning of Year	<u>345,329,389</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 377,666,014</u></u>

Chaffey Community College District

Statement of Cash Flows

Year Ended June 30, 2023

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	<u>\$ (146,343,389)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	11,701,582
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	6,674,461
Student receivables	629,237
Inventories	111,210
Net OPEB asset	1,553,766
Deferred outflows of resources related to OPEB	(1,600,762)
Deferred outflows of resources related to pensions	(13,582,780)
Accounts payable	1,360,384
Unearned revenue	30,337,222
Compensated absences	(23,919)
Aggregate net OPEB liability	297,545
Aggregate net pension liability	45,009,156
Deferred inflows of resources related to OPEB	(1,757,051)
Deferred inflows of resources related to pensions	<u>(37,054,471)</u>
Total adjustments	<u>43,655,580</u>

Net Cash Flows From Operating Activities	<u><u>\$ (102,687,809)</u></u>
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Cash and Cash Equivalents Consist of the Following:

Cash in banks	\$ 39,110,412
Cash in county treasury	<u>338,555,602</u>
Total cash and cash equivalents	<u><u>\$ 377,666,014</u></u>

Noncash Transactions

Amortization of deferred outflows of resources related to debt refunding	\$ 1,968,965
Amortization of debt premiums	\$ 2,397,114
Recognition of subscription-based IT arrangement liabilities arising from obtaining right-to-use subscription IT assets	\$ 910,701

Chaffey Community College District

Fiduciary Fund

Statement of Net Position

June 30, 2023

	Retiree OPEB Trust
Assets	
Investments	\$ 15,828,313
Due from primary government	2,000,000
Total assets	17,828,313
Net Position	
Restricted for postemployment benefits other than pensions	\$ 17,828,313

Chaffey Community College District

Fiduciary Fund

Statement of Changes in Net Position

Year Ended June 30, 2023

	Retiree OPEB Trust
Additions	
District contributions	\$ 2,739,201
Interest and investment income	625,202
Net realized and unrealized gain	539,666
Total additions	3,904,069
Deductions	
Employee benefits	739,201
Administrative expenses	103,375
Total deductions	842,576
Change in Net Position	3,061,493
Net Position - Beginning of Year	14,766,820
Net Position - End of Year	\$ 17,828,313

Note 1 - Organization**Financial Reporting Entity**

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.

Note 2 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The District has adopted accounting policies 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, as defined by accounting principles generally accepted in the United States of America and established by the GASB. 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.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. 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 promulgated 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.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. 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, are classified as nonoperating revenue. 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.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

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 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. There was no allowance for doubtful accounts recorded at June 30, 2023.

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 consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land 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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

Compensated Absences

Accumulated unpaid employee 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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the 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 0.004 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.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred 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 OPEB and pension 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 OPEB and pension related items.

Subscription-based IT Arrangements

The District recognizes a subscription-based IT arrangement liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the District measures the subscription-based IT arrangement liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription-based IT arrangement liability is reduced by the principal portion of subscription payments made. The right-to-use subscription IT asset is initially measured as the initial amount of the subscription-based IT arrangement liability, plus certain initial direct costs. Subsequently, the right-to-use subscription IT asset is amortized on a straight-line basis over the shorter of the subscription term or useful life of the underlying asset.

Pensions

For purposes of measuring the net pension liability, 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 (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 liability 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, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the 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. The total OPEB liability will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (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 redevelopment agreement payable, subscription-based IT arrangements, compensated absences, net OPEB liability, and aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital and right-to-use subscription IT assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the 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 net position is available. The government-wide financial statements report \$122,651,005 of restricted net position, and the fiduciary fund financial statements report \$17,828,313 of restricted net position.

Operating and Nonoperating 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. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as 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, and other revenue sources defined by GASB.

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 available.

The voters of the District passed General Obligation Bond Measures in March 2002 and November 2018 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond Measures, 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.

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarship discounts and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship 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.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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, and those difference could be material.

Interfund Activity

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.

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 primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles**Implementation of GASB Statement No. 96**

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard are included in Note 6 and Note 7.

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 California Community College's *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 accompanying 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.

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:

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

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.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 39,054,912	\$ -
Cash in revolving	55,500	-
Investments	366,219,810	15,828,313
Total deposits and investments	<u>\$ 405,330,222</u>	<u>\$ 15,828,313</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 and mutual funds.

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 as of June 30, 2023.

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	\$ 43,492,521	No maturity	Not rated
San Bernardino County Investment Pool	338,555,602	539	AAAf/S1
Total	<u>\$ 382,048,123</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 District does not have a policy for custodial credit risk for deposits. However, 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% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of approximately \$38.9 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2023, the District's investment balance of approximately \$43.0 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

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.

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	\$ 43,492,521	\$ 43,492,521	\$ -	\$ -

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2023, 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	\$ 12,950,700
State Government	
Apportionment	13,346,579
Categorical aid	2,850,560
Lottery	1,070,395
Local Sources	
Interest	2,312,612
Property taxes	1,193,802
Other local sources	<u>2,348,516</u>
Total	<u>\$ 36,073,164</u>
Student Receivables	<u>\$ 2,174,757</u>

Note 6 - Capital and Right-to-use Subscription IT Assets

Capital and right-to-use subscription IT asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 86,047,634	\$ -	\$ -	\$ 86,047,634
Construction in progress	11,314,396	15,815,712	-	27,130,108
Total capital assets not being depreciated	97,362,030	15,815,712	-	113,177,742
Capital Assets Being Depreciated				
Buildings and improvements	324,328,497	-	-	324,328,497
Machinery and equipment	49,223,430	1,454,343	(363,130)	50,314,643
Total capital assets being depreciated	373,551,927	1,454,343	(363,130)	374,643,140
Total capital assets	470,913,957	17,270,055	(363,130)	487,820,882
Less Accumulated Depreciation				
Buildings and improvements	(120,954,496)	(7,443,516)	-	(128,398,012)
Machinery and equipment	(24,949,880)	(2,647,875)	347,741	(27,250,014)
Total accumulated depreciation	(145,904,376)	(10,091,391)	347,741	(155,648,026)
Right-to-use Subscription IT Assets				
Right-to-use subscription IT assets	2,563,852	974,258	(872,714)	2,665,396
Accumulated amortization	-	(1,610,191)	872,714	(737,477)
Net right-to-use subscription IT assets	2,563,852	(635,933)	-	1,927,919
Total capital and right-to-use subscription IT assets, net	\$ 327,573,433	\$ 6,542,731	\$ (15,389)	\$ 334,100,775

Note 7 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2023 consisted of the following:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023	Due in One Year
General obligation bonds	\$ 302,930,000	\$ -	\$ (12,900,000)	\$ 290,030,000	\$ 11,870,000
Bond premium	21,767,976	-	(2,397,114)	19,370,862	-
Lease revenue refunding bonds, 2017	13,195,000	-	(1,045,000)	12,150,000	1,135,000
Lease revenue bonds, Series 2017	14,480,000	-	(815,000)	13,665,000	845,000
Redevelopment agreement payable	1,080,000	-	(140,000)	940,000	140,000
Subscription-based IT arrangements	2,563,852	910,701	(1,629,885)	1,844,668	755,975
Compensated absences	2,367,153	-	(23,919)	2,343,234	-
Total	<u>\$ 358,383,981</u>	<u>\$ 910,701</u>	<u>\$ (18,950,918)</u>	<u>\$ 340,343,764</u>	<u>\$ 14,745,975</u>

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Payments on the lease revenue bonds are made from the Capital Outlay Projects Fund and the General Fund. The redevelopment agreement payable payments are made by the General Fund. Payments for subscription-based IT arrangements will be made by the fund for which the software was intended. Compensated absences will be paid from the fund for which the employee worked.

General Obligation Bonds

2012 General Obligation Bonds, Series D

In 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, 2030, with interest rates ranging from 2.80% to 3.63%. The unamortized premium balance at June 30, 2023, was \$657,730. At June 30, 2023, \$1,730,000 was outstanding.

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, 2026. Interest rates range from 1.00% to 5.00%. The unamortized premium balance at June 30, 2023, was \$1,619,405. The outstanding principal balance of the bonds at June 30, 2023, was \$7,495,000.

2019 General Obligation Bonds, Series A

In September 2019, the District issued the 2019 General Obligation Bonds, Series A, in the amount of \$200,000,000. The bonds mature beginning on June 1, 2020 through June 1, 2048, with interest rates ranging from 1.61% to 5.00%. The unamortized premium balance at June 30, 2023, was \$17,093,727. At June 30, 2023, \$182,000,000 was outstanding.

2019 General Obligation Refunding Bonds

In September 2019, the District issued \$50,425,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease portions of the 2012 General Obligation Bonds, Series D; 2012 General Obligation Bonds, Series E; and 2012 General Obligation Refunding Bonds; and pay the associated costs with the issuance of the bonds. The refunding defeased \$45,145,000 of the old debt. The bonds mature beginning on June 1, 2020 through June 1, 2036. Interest rates range from 1.62% to 2.90%. The outstanding principal balance of the bonds at June 30, 2023, was \$43,535,000.

2020 General Obligation Refunding Bonds

In April 2020, the District issued \$59,955,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease portions of the 2014 General Obligation Refunding Bonds and pay the associated costs with the issuance of the bonds. The refunding defeased \$50,850,000 of the old debt. The bonds mature beginning on June 1, 2020 through June 1, 2032. Interest rates range from 0.90% to 2.02%. The outstanding principal balance of the bonds at June 30, 2023, was \$55,270,000.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
2012 Series D	2030	2.80-3.63%	\$ 12,130,000	\$ 1,730,000	\$ -	\$ -	\$ 1,730,000
2014 Refunding	2026	1.00-5.00%	84,675,000	12,150,000	-	(4,655,000)	7,495,000
2019 Series A	2048	1.61-5.00%	200,000,000	185,000,000	-	(3,000,000)	182,000,000
2019 Refunding	2036	1.62-2.90%	50,425,000	47,655,000	-	(4,120,000)	43,535,000
2020 Refunding	2032	0.90-2.02%	59,955,000	56,395,000	-	(1,125,000)	55,270,000
				<u>\$ 302,930,000</u>	<u>\$ -</u>	<u>\$ (12,900,000)</u>	<u>\$ 290,030,000</u>

Debt Service Requirements to Maturity**General Obligation Bonds**

The general obligation bonds mature through 2048 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2024	\$ 11,870,000	\$ 8,862,334	\$ 20,732,334
2025	11,810,000	8,515,392	20,325,392
2026	12,345,000	8,307,303	20,652,303
2027	12,940,000	8,070,971	21,010,971
2028	13,620,000	7,839,414	21,459,414
2029-2033	54,110,000	35,082,006	89,192,006
2034-2038	36,375,000	29,810,507	66,185,507
2039-2043	54,390,000	22,905,300	77,295,300
2044-2048	82,570,000	11,146,150	93,716,150
Total	<u>\$ 290,030,000</u>	<u>\$ 140,539,377</u>	<u>\$ 430,569,377</u>

Lease Revenue Bonds

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 bonds mature beginning on May 1, 2018 through May 1, 2032, with interest rates of 2.23% and 4.24%. At June 30, 2023, \$12,150,000 was outstanding.

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%. At June 30, 2023, \$13,665,000 was outstanding.

The lease revenue bonds mature through 2036 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2024	\$ 1,980,000	\$ 1,075,020	\$ 3,055,020
2025	2,065,000	990,028	3,055,028
2026	2,145,000	901,536	3,046,536
2027	2,230,000	809,754	3,039,754
2028	2,320,000	707,777	3,027,777
2029-2033	11,415,000	2,013,975	13,428,975
2034-2036	3,660,000	273,169	3,933,169
Total	<u>\$ 25,815,000</u>	<u>\$ 6,771,259</u>	<u>\$ 32,586,259</u>

Redevelopment Agreement Payable

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, 2023, the outstanding balance was \$940,000.

Principal is due through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2024	\$ 140,000
2025	140,000
2026	140,000
2027	140,000
2028	140,000
2029-2030	240,000
Total	<u>\$ 940,000</u>

Subscriptions-Based IT Arrangements (SBITAs)

The District entered into a SBITAs for the use of various software. At June 30, 2023, the District has recognized a right-to-use subscriptions IT asset, net of accumulated amortization of \$1,927,919 and a SBITA liability of \$1,844,668 related to these agreements. Under the terms of the SBITAs, the District makes payments ranging from \$2,500 to \$872,714 annually, which amounts to total principal and interest costs of \$1,706,997 for the year ending June 30, 2023. During the fiscal year, the District recorded \$1,610,191 in amortization expense and \$77,112 in interest expense for SBITAs. The District used discount rates ranging from 3% to 5% based on the incremental borrowing rate for financing over a similar time period.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 755,975	\$ 56,421	\$ 812,396
2025	667,322	23,742	691,064
2026	348,545	7,032	355,577
2027	63,863	681	64,544
2028	8,963	37	9,000
Total	<u>\$ 1,844,668</u>	<u>\$ 87,913</u>	<u>\$ 1,932,581</u>

Note 8 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows 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>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 362,632	\$ 7,045,857	\$ 2,293,816	\$ (1,441,415)
Medicare Premium Payment (MPP) Program	370,602	-	-	(65,087)
Total	<u>\$ 733,234</u>	<u>\$ 7,045,857</u>	<u>\$ 2,293,816</u>	<u>\$ (1,506,502)</u>

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, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	38
Active employees	547
Total	585

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. Voluntary contributions are 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 the measurement period ending June 30, 2022, the District contributed \$2,791,012 to the Plan, of which \$705,134 was used for current premiums, \$2,000,000 was used to fund the OPEB irrevocable trust, and \$85,878 reflected the impact of the implicit rate subsidy.

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 following was the District's adopted asset allocation policy as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	50%
Equities	50%

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -18.53%. 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 \$362,632 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	\$ 15,129,452
Plan fiduciary net position	<u>(14,766,820)</u>
Net OPEB liability	<u>\$ 362,632</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>97.60%</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	5.75%
Healthcare cost trend rate	4.00%

The discount rate was based on the long-term expected return on plan assets assuming 100% funding through the Trust, using the building block method.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 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, 2021 valuation were based on the results of an actual experience study as of November 2021.

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, 2022, (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>
Fixed income	4.25%
Equities	7.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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/(Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance, July 1, 2021	\$ 14,171,527	\$ 15,725,293	\$ (1,553,766)
Service cost	930,076	-	930,076
Interest	818,861	-	818,861
Contributions - employer	-	2,791,012	(2,791,012)
Expected investment income	-	872,431	(872,431)
Differences between projected and actual earnings on OPEB plan investments	-	(3,725,738)	3,725,738
Benefit payments	(791,012)	(791,012)	-
Administrative expense	-	(105,166)	105,166
Net change in total OPEB liability	957,925	(958,473)	1,916,398
Balance, June 30, 2022	\$ 15,129,452	\$ 14,766,820	\$ 362,632

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

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) of the District, as well as what the District's net OPEB liability/(asset) 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/(Asset)
1% decrease (4.75%)	\$ 1,583,447
Current discount rate (5.75%)	362,632
1% increase (6.75%)	(760,359)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rate

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

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability/(Asset)</u>
1% decrease (3.00%)	\$ (1,385,456)
Current healthcare cost trend rate (4.00%)	362,632
1% increase (5.00%)	2,424,152

Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 2,739,201	\$ -
Differences between expected and actual experience	2,016,020	1,893,285
Changes of assumptions	467,868	400,531
Net difference between projected and actual earnings on OPEB plan investments	<u>1,822,768</u>	<u>-</u>
Total	<u>\$ 7,045,857</u>	<u>\$ 2,293,816</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 376,007
2025	356,542
2026	345,073
2027	<u>745,146</u>
Total	<u>\$ 1,822,768</u>

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 11.9 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 25,900
2025	25,900
2026	25,900
2027	25,900
2028	25,900
Thereafter	60,572
Total	<u>\$ 190,072</u>

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, 2021 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.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. 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, 2023, the District reported a liability of \$370,602 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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 districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.1125% and 0.1092%, respectively, resulting in a net increase in the proportionate share of 0.0033%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(65,087).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2021, 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 members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, 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, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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 (2.54%)	\$ 404,027
Current discount rate (3.54%)	370,602
1% increase (4.54%)	341,659

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 are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 340,040
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	370,602
1% increase (5.50% Part A and 6.40% Part B)	405,244

Note 9 - Risk Management**Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2023, 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 the year ended June 30, 2023, 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.

Insurance Program / Company Name	Type of Coverage	Limits	
CSAC	Workers' Compensation	\$	2,500,000
Schools' Excess Liability Fund	Excess Workers' Compensation	\$	2,500,000
Southern California Schools Risk Management	Property and Liability	\$	2,000,000

Note 10 - 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 the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 52,088,818	\$ 15,617,715	\$ 10,219,984	\$ 4,671,707
CalPERS	66,309,011	22,542,490	3,025,068	8,474,134
Total	<u>\$ 118,397,829</u>	<u>\$ 38,160,205</u>	<u>\$ 13,245,052</u>	<u>\$ 13,145,841</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, 2021, 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% 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.

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2023, are summarized as follows:

	On or before <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Hire date		
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	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are 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 California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were \$10,007,338.

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

At June 30, 2023, 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	\$ 52,088,818
State's proportionate share of net pension liability associated with the District	<u>26,085,876</u>
Total	<u>\$ 78,174,694</u>

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.0750% and 0.0727%, respectively, resulting in a net increase in the proportionate share of 0.0023%.

Chaffey Community College District

Notes to Financial Statements

June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$4,671,707. In addition, the District recognized pension expense and revenue of \$2,103,809 for support provided by the State. At June 30, 2023, 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	\$ 10,007,338	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,984,421	3,767,165
Differences between projected and actual earnings on pension plan investments	-	2,547,245
Differences between expected and actual experience in the measurement of the total pension liability	42,729	3,905,574
Changes of assumptions	<u>2,583,227</u>	<u>-</u>
Total	<u>\$ 15,617,715</u>	<u>\$ 10,219,984</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
2024	\$ (1,871,140)
2025	(2,027,063)
2026	(3,045,062)
2027	<u>4,396,020</u>
Total	<u>\$ (2,547,245)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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
2024	\$ 1,408,667
2025	(643,296)
2026	(777,247)
2027	(1,017,107)
2028	(1,060,520)
Thereafter	27,141
Total	<u>\$ (2,062,362)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent 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, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Private equity	13%	6.3%
Real estate	15%	3.6%
Inflation sensitive	6%	3.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 88,466,133
Current discount rate (7.10%)	52,088,818
1% increase (8.10%)	21,884,710

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, 2021, 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 School Employer Pool provisions and benefits in effect at June 30, 2023, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	8.00%
Required employer contribution rate	25.37%	25.37%

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, 2023, are presented above, and the total District contributions were \$8,766,598.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$66,309,011. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.1927% and 0.1983%, respectively, resulting in a net decrease in the proportionate share of 0.0056%.

For the year ended June 30, 2023, the District recognized pension expense of \$8,474,134. At June 30, 2023, 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	\$ 8,766,598	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	741,760	1,375,215
Differences between projected and actual earnings on pension plan investments	7,829,290	-
Differences between expected and actual experience in the measurement of the total pension liability	299,678	1,649,853
Changes of assumptions	4,905,164	-
Total	<u>\$ 22,542,490</u>	<u>\$ 3,025,068</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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 1,305,677
2025	1,158,045
2026	591,544
2027	<u>4,774,024</u>
Total	<u>\$ 7,829,290</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 3.9 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 1,207,008
2025	1,132,286
2026	670,641
2027	<u>(88,401)</u>
Total	<u>\$ 2,921,534</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations, as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.45%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and the contributions from employers will be made at statutory required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	\$ 95,786,723
Current discount rate (6.90%)	66,309,011
1% increase (7.90%)	41,946,764

Pension Stabilization Trust

The District has established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the aggregate net pension liability shown on the Statement of Net Position. For the year ended June 30, 2023, contributions made to the trust were \$10,000,000, which was due to the irrevocable trust from the Unrestricted General Fund at June 30, 2023. As of June 30, 2023, the balance of the trust investments was \$27,664,208.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,184,717 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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% of an employee's gross earnings. An employee is required to contribute 6.20% of his or her gross earnings to the plan.

Note 11 - 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, 2023.

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, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately \$93.5 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 12 - 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, 2023, the District made payments of \$1,382,600 and \$1,474,974 to SCSRM and SCSEBA, respectively.

Note 13 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The beginning balance of certain assets and liabilities were restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Primary Government	
Net Position - Beginning	\$ 210,326,784
Right-to-use subscription IT assets, net of amortization	2,563,852
Subscription-based IT arrangements	(2,563,852)
Net Position - Beginning	<u>\$ 210,326,784</u>



Required Supplementary Information
June 30, 2023

Chaffey Community College District

Chaffey Community College District
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios
Year Ended June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 930,076	\$ 1,114,366	\$ 1,155,317
Interest	818,861	908,618	846,366
Difference between expected and actual experience	-	(2,032,532)	(259,096)
Changes of assumptions	-	(481,447)	-
Benefit payments	(791,012)	(892,251)	(664,445)
Net change in total OPEB liability	957,925	(1,383,246)	1,078,142
Total OPEB Liability - Beginning	14,171,527	15,554,773	14,476,631
Total OPEB Liability - Ending (a)	<u>\$ 15,129,452</u>	<u>\$ 14,171,527</u>	<u>\$ 15,554,773</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 2,791,012	\$ 1,892,251	\$ 3,664,445
Expected investment income	872,431	617,931	468,517
Differences between projected and actual earnings on OPEB plan investments	(3,725,738)	2,000,383	(57,367)
Benefit payments	(791,012)	(892,251)	(664,445)
Administrative expense	(105,166)	(94,007)	(76,080)
Net change in plan fiduciary net position	(958,473)	3,524,307	3,335,070
Plan Fiduciary Net Position - Beginning	15,725,293	12,200,986	8,865,916
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,766,820</u>	<u>\$ 15,725,293</u>	<u>\$ 12,200,986</u>
Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ 362,632</u>	<u>\$ (1,553,766)</u>	<u>\$ 3,353,787</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	97.60%	110.96%	78.44%
Covered Employee Payroll	<u>\$ 76,380,623</u>	<u>\$ 74,670,633</u>	<u>\$ 73,448,608</u>
Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	0.47%	-2.08%	4.57%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

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

Chaffey Community College District
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios
Year Ended June 30, 2023

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 716,512	\$ 750,237	\$ 718,091
Interest	663,371	611,467	562,860
Difference between expected and actual experience	2,847,372	-	-
Changes of assumptions	660,808	-	-
Benefit payments	<u>(517,860)</u>	<u>(574,676)</u>	<u>(541,533)</u>
Net change in total OPEB liability	4,370,203	787,028	739,418
Total OPEB Liability - Beginning	<u>10,106,428</u>	<u>9,319,400</u>	<u>8,579,982</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 14,476,631</u></u>	<u><u>\$ 10,106,428</u></u>	<u><u>\$ 9,319,400</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 2,017,860	\$ 1,874,676	\$ 3,385,533
Expected investment income	457,469	393,342	434,835
Differences between projected and actual earnings on OPEB plan investments	(97,318)	-	-
Benefit payments	(517,860)	(574,676)	(541,533)
Administrative expense	<u>(64,396)</u>	<u>(62,088)</u>	<u>(42,729)</u>
Net change in plan fiduciary net position	1,795,755	1,631,254	3,236,106
Plan Fiduciary Net Position - Beginning	<u>7,070,161</u>	<u>5,438,907</u>	<u>2,202,801</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 8,865,916</u></u>	<u><u>\$ 7,070,161</u></u>	<u><u>\$ 5,438,907</u></u>
Net OPEB Liability/(Asset) - Ending (a) - (b)	<u><u>\$ 5,610,715</u></u>	<u><u>\$ 3,036,267</u></u>	<u><u>\$ 3,880,493</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>61.24%</u>	<u>69.96%</u>	<u>58.36%</u>
Covered Employee Payroll	<u>\$ 68,949,008</u>	<u>\$ 68,241,447</u>	<u>\$ 64,049,508</u>
Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	<u>8.14%</u>	<u>4.45%</u>	<u>6.06%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

Chaffey Community College District
Schedule of OPEB Investment Returns
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>-18.53%</u>	<u>22.50%</u>	<u>4.62%</u>	<u>5.12%</u>	<u>6.05%</u>	<u>9.74%</u>

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

Chaffey Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.1125%	0.1092%	0.1358%
Proportionate share of the net OPEB liability	\$ 370,602	\$ 435,689	\$ 575,372
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.94%	-0.80%	-0.71%
Measurement Date	June 30, 2021	June 30, 2021	June 30, 2020

¹ 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.

Chaffey Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1380%	0.1345%	0.1333%
Proportionate share of the net OPEB liability	\$ 513,794	\$ 514,661	\$ 560,803
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ 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.

Chaffey Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2023

	2023	2022	2021	2020	2019
CalSTRS					
Proportion of the net pension liability	0.0750%	0.0727%	0.0779%	0.0780%	0.0749%
Proportionate share of the net pension liability	\$ 52,088,818	\$ 33,069,975	\$ 75,510,210	\$ 70,439,495	\$ 68,848,355
State's proportionate share of the net pension liability associated with the District	26,085,876	16,639,529	38,925,522	38,429,447	39,418,903
Total	<u>\$ 78,174,694</u>	<u>\$ 49,709,504</u>	<u>\$114,435,732</u>	<u>\$108,868,942</u>	<u>\$108,267,258</u>
Covered payroll	<u>\$ 46,791,531</u>	<u>\$ 43,174,068</u>	<u>\$ 46,448,684</u>	<u>\$ 45,171,658</u>	<u>\$ 42,885,752</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	111.32%	76.60%	162.57%	155.94%	160.54%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS					
Proportion of the net pension liability	0.1927%	0.1983%	0.1954%	0.1909%	0.1862%
Proportionate share of the net pension liability	\$ 66,309,011	\$ 40,318,698	\$ 59,955,554	\$ 55,642,058	\$ 49,641,169
Covered payroll	<u>\$ 29,589,092</u>	<u>\$ 31,496,565</u>	<u>\$ 26,999,924</u>	<u>\$ 23,777,350</u>	<u>\$ 25,355,695</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	224.10%	128.01%	222.06%	234.01%	195.78%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

Chaffey Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2023

	2018	2017	2016	2015
CalSTRS				
Proportion of the net pension liability	0.0736%	0.0748%	0.0720%	0.0675%
Proportionate share of the net pension liability	\$ 68,092,086	\$ 60,538,782	\$ 48,490,236	\$ 39,441,623
State's proportionate share of the net pension liability associated with the District	40,282,703	34,463,649	25,645,989	23,816,555
Total	\$108,374,789	\$ 95,002,431	\$ 74,136,225	\$ 63,258,178
Covered payroll	\$ 41,039,579	\$ 38,045,116	\$ 36,400,980	\$ 32,999,679
Proportionate share of the net pension liability as a percentage of its covered payroll	165.92%	159.12%	133.21%	119.52%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS				
Proportion of the net pension liability	0.1801%	0.1756%	0.1836%	0.1848%
Proportionate share of the net pension liability	\$ 42,994,529	\$ 34,682,765	\$ 27,068,929	\$ 20,982,604
Covered payroll	\$ 23,009,929	\$ 21,036,811	\$ 20,268,437	\$ 19,485,358
Proportionate share of the net pension liability as a percentage of its covered payroll	186.85%	164.87%	133.55%	107.68%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Chaffey Community College District
Schedule of the District's Contributions for Pensions
Year Ended June 30, 2023

	2023	2022	2021	2020	2019
CalSTRS					
Contractually required contribution	\$ 10,007,338	\$ 7,917,127	\$ 6,972,612	\$ 7,942,725	\$ 7,353,946
Contributions in relation to the contractually required contribution	10,007,338	7,917,127	6,972,612	7,942,725	7,353,946
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 52,394,440	\$ 46,791,531	\$ 43,174,068	\$ 46,448,684	\$ 45,171,658
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%
CalPERS					
Contractually required contribution	\$ 8,766,598	\$ 6,778,861	\$ 6,519,789	\$ 5,324,655	\$ 4,294,665
Contributions in relation to the contractually required contribution	8,766,598	6,778,861	6,519,789	5,324,655	4,294,665
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 34,554,978	\$ 29,589,092	\$ 31,496,565	\$ 26,999,924	\$ 23,777,350
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%

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

Chaffey Community College District
Schedule of the District's Contributions for Pensions
Year Ended June 30, 2023

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	\$ 6,188,414	\$ 5,162,779	\$ 4,082,241	\$ 3,232,407
Contributions in relation to the contractually required contribution	<u>6,188,414</u>	<u>5,162,779</u>	<u>4,082,241</u>	<u>3,232,407</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 42,885,752</u>	<u>\$ 41,039,579</u>	<u>\$ 38,045,116</u>	<u>\$ 36,400,980</u>
Contributions as a percentage of covered payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS				
Contractually required contribution	\$ 3,937,993	\$ 3,195,619	\$ 2,492,231	\$ 2,385,595
Contributions in relation to the contractually required contribution	<u>3,937,993</u>	<u>3,195,619</u>	<u>2,492,231</u>	<u>2,385,595</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 25,355,695</u>	<u>\$ 23,009,929</u>	<u>\$ 21,036,811</u>	<u>\$ 20,268,437</u>
Contributions as a percentage of covered payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability/(asset). 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 in 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 2.16% to 3.54% 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 the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District's 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
June 30, 2023

Chaffey Community College District

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.

Board of Trustees as of June 30, 2023

Member	Office	Term Expires
Kathleen R. Brugger	President	2026
Deana Olivares-Lambert	Vice President	2026
Gloria Negrete McLeod	Clerk	2024
Lee C. McDougal	Immediate Past President	2024
Gary C. Ovitt	Member	2024
Tamia Newman	Student Trustee	2024

Administration as of June 30, 2023

Henry D. Shannon, Ph.D.	Superintendent/President
Lisa Bailey	Associate Superintendent of Business, Human Resources, and Information Technology Services
Troy Ament	Associate Superintendent, Administrative Services and Emergency Operations
Alisha Rosas	Associate Superintendent, Student Services and Strategic Communications
Seneui Weber	Interim Associate Superintendent of Workforce Innovations and Entrepreneurial Development
Misty Burrue	Interim Associate Superintendent of Instruction and Institutional Effectiveness

Auxiliary Organizations in Good Standing

Chaffey College Foundation, established 1987
 Master Agreement established June 17, 1993
 Heather Parsons, Interim Executive Director

Chaffey Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 24,472,435
Federal Pell Grant Program Administrative Allowance	84.063		36,625
Federal Direct Student Loans	84.268		724,295
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		1,208,800
FSEOG Administrative Allowance	84.007		59,970
Federal Work-Study Program	84.033		218,490
Federal Work-Study Program Administrative Allowance	84.033		<u>10,924</u>
Subtotal Student Financial Assistance Cluster			<u>26,731,539</u>
TRIO Cluster			
Upward Bound	84.047A		<u>302,807</u>
Subtotal TRIO Cluster			<u>302,807</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		4,189,347
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		15,482,502
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		<u>562,300</u>
Subtotal			<u>20,234,149</u>
Developing Hispanic Serving Institutions Program (Title V) Passed through California Community Colleges Chancellor's Office	84.031S		586,416
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	22-C01-920	<u>867,876</u>
Total U.S. Department of Education			<u>48,722,787</u>
U.S. Department of Agriculture			
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665		<u>79,488</u>
Subtotal Forest Service Schools and Roads Cluster			<u>79,488</u>

Chaffey Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		<u>\$ 12,854</u>
U.S. Department of the Treasury Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	<u>630</u>
U.S. Department of Health and Human Services Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	<u>100,986</u>
Total Federal Financial Assistance			<u><u>\$ 48,916,745</u></u>

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

Chaffey Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2023

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	
Adult Education Block Grant	\$ 614,216	\$ 64,938	\$ 224,643	\$ -	\$ 454,511	\$ 454,511
Basic Needs Center	871,094	-	619,540	-	251,554	251,554
Basic Skills	1,525,179	-	773,399	-	751,780	751,780
BHJIS Project	3,589	246,252	5,584	-	244,257	244,257
CAFYES Next Up	619,128	-	174,493	-	444,635	444,635
CAI Mechatronics Apprenticeship Program	-	233,411	-	-	233,411	233,411
Cal Grants	3,111,994	-	-	-	3,111,994	3,111,994
California Apprenticeship Initiative	-	35,376	-	-	35,376	35,376
California College Promise	1,339,585	-	-	-	1,339,585	1,339,585
CalWORKS	1,134,530	-	430,306	-	704,224	704,224
CARE Program	328,144	-	150,606	-	177,538	177,538
COE Technical Assistance Desert	243,971	146,312	156,030	-	234,253	234,253
CORE Academy	4,496,893	-	4,372,899	-	123,994	123,994
COVID-19 Response Block Grant	9,144,701	-	7,473,606	-	1,671,095	1,671,095
Credit Student Success & Support Program Matriculation	4,921,087	-	484,379	-	4,436,708	4,436,708
Culturally Competent Faculty Professional Development	152,434	-	152,434	-	-	-
Disaster Relier Emergency Student Financial Aid	58,971	-	-	-	58,971	58,971
Disability Programs and Services	3,001,426	-	1,421,929	-	1,579,497	1,579,497
DREAM Resource Liaison Support	347,100	-	304,251	-	42,849	42,849
EEO Best Practices	208,333	-	208,333	-	-	-
Emergency Financial Assistance Supplemental	481,217	-	481,217	-	-	-
Employment Training Grant	356,192	308,062	32,406	-	631,848	631,848
Extended Opportunity Program and Services (EOPS)	2,200,938	-	366,449	-	1,834,489	1,834,489
Financial Aid Technology	73,823	-	57,871	13,529	2,423	2,423
Guided Pathways	991,179	-	552,435	-	438,744	438,744
IAB - CalFresh Outreach	8,130	-	8,130	-	-	-
IAB - Student Retention & Outreach	2,057,681	-	1,820,742	-	236,939	236,939
Innovation in Higher Education	39,808	-	-	-	39,808	39,808
InTech Welding Lab Foundation	3,000,000	-	3,000,000	-	-	-
Invention & Inclusive Innovation (I3) Program Grant	42,180	82,820	81,074	-	43,926	43,926

Chaffey Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2023

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	
Learning-Aligned Employment Program Agreement	\$ 5,407,087	\$ -	\$ 5,407,087	\$ -	\$ -	\$ -
LGBTQ+	108,868	-	81,063	-	27,805	27,805
Lottery - Restricted	1,269,154	514,041	-	-	1,783,195	1,126,393
Mandated Costs	551,559	-	-	-	551,559	551,559
Mental Health Services	336,539	-	103,933	-	232,606	232,606
Mental Health Support	535,762	-	448,375	-	87,387	87,387
Non-Credit Student Success & Support Program Matriculation	65,567	-	2,573	-	62,994	62,994
Nursing Enrollment Grant	199,959	-	4,960	-	194,999	194,999
Part-time Faculty Allocation	2,319,178	-	-	-	2,319,178	2,319,178
Physical Plant & Instruction Equipment Block Grant	17,087,050	-	8,270,426	7,003,754	1,812,870	1,812,870
Propositions 1D and 51 State Bond Funded Projects	5,679,013	1,525,878	-	-	7,204,891	7,038,798
Puente Project	36,500	-	19,149	-	17,351	17,351
Rising Scholars Program	160,000	-	38,972	-	121,028	121,028
Staff Development	58,686	-	50,990	-	7,696	7,696
Staff Diversity	141,021	-	44,214	-	96,807	96,807
Strong Workforce	3,814,301	-	3,282,115	-	532,186	532,186
Strong Workforce Local Reallocation	228,843	-	-	-	228,843	228,843
Strong Workforce Regional	428,820	191,983	-	-	620,803	620,803
Strong Workforce Regional Reallocation	82,133	11,883	-	-	94,016	94,016
Strong Workforce State	2,459,911	-	643,451	-	1,816,460	1,816,460
Student Equity	3,176,813	3,645	1,817,537	-	1,362,921	1,362,921
Student Financial Assistance Programs (BFAP)	929,569	-	31,037	-	898,532	898,532
Student Food & Housing Support	711,660	-	691,314	-	20,346	20,346
Student Retention & Outreach	2,848,076	-	1,680,487	1,167,589	-	-
Student Success Completion Grant	6,228,100	-	2,678,375	-	3,549,725	3,549,725
Systemwide Technology & Data Security	300,000	-	263,960	-	36,040	36,040
Veteran's Program	45,380	-	41,510	-	3,870	3,870
Veteran's Resource Center	268,909	-	166,597	-	102,312	102,312
Wellness Vending Machines	15,000	-	15,000	-	-	-
Zero Textbook Cost Grant	200,000	-	200,000	-	-	-
Total state programs	\$ 97,066,981	\$ 3,364,601	\$ 49,335,881	\$ 8,184,872	\$ 42,910,829	\$ 42,087,934

Chaffey Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2023

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit*	45.12	-	45.12
2. Credit	1,780.86	-	1,780.86
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,340.96	-	1,340.96
(b) Daily Census Contact Hours	710.26	-	710.26
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	146.02	-	146.02
(b) Credit	433.88	-	433.88
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	2,097.93	-	2,097.93
(b) Daily Census Procedure Courses	7,128.51	-	7,128.51
(c) Noncredit Independent Study/Distance Education Courses	300.57	-	300.57
D. Total FTES	<u>13,984.11</u>	<u>-</u>	<u>13,984.11</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	317.47	-	317.47
2. Credit	34.50	-	34.50
CCFS-320 Addendum			
CDCP Noncredit FTES	218.36	-	218.36
Centers FTES			
1. Noncredit*	254.69	-	254.69
2. Credit	2,882.72	-	2,882.72

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

Chaffey Community College District
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
Year Ended June 30, 2023

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Academic Salaries</u>								
Instructional Salaries								
Contract or Regular		1100	\$ 22,372,563	\$ -	\$ 22,372,563	\$ 22,372,563	\$ -	\$ 22,372,563
Other		1300	19,766,564	-	19,766,564	19,766,564	-	19,766,564
Total Instructional Salaries			42,139,127	-	42,139,127	42,139,127	-	42,139,127
Noninstructional Salaries								
Contract or Regular		1200	-	-	-	10,455,142	-	10,455,142
Other		1400	-	-	-	895,447	-	895,447
Total Noninstructional Salaries			-	-	-	11,350,589	-	11,350,589
Total Academic Salaries			42,139,127	-	42,139,127	53,489,716	-	53,489,716
<u>Classified Salaries</u>								
Noninstructional Salaries								
Regular Status		2100	-	-	-	21,154,168	-	21,154,168
Other		2300	-	-	-	887,181	-	887,181
Total Noninstructional Salaries			-	-	-	22,041,349	-	22,041,349
Instructional Aides								
Regular Status		2200	2,409,425	-	2,409,425	2,409,425	-	2,409,425
Other		2400	730,397	-	730,397	730,397	-	730,397
Total Instructional Aides			3,139,822	-	3,139,822	3,139,822	-	3,139,822
Total Classified Salaries			3,139,822	-	3,139,822	25,181,171	-	25,181,171
Employee Benefits		3000	21,176,158	-	21,176,158	45,240,059	-	45,240,059
Supplies and Material		4000	-	-	-	1,121,943	-	1,121,943
Other Operating Expenses		5000	421,534	-	421,534	11,280,197	-	11,280,197
Equipment Replacement		6420	-	-	-	-	-	-
Total Expenditures								
Prior to Exclusions			66,876,641	-	66,876,641	136,313,086	-	136,313,086

Chaffey Community College District
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
Year Ended June 30, 2023

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Exclusions</u>								
Activities to Exclude								
Instructional Staff - Retirees' Benefits and Retirement Incentives		5900	\$ 13,597	\$ -	\$ 13,597	\$ 13,597	\$ -	\$ 13,597
Student Health Services Above Amount Collected		6441	-	-	-	(6,436)	-	(6,436)
Student Transportation		6491	-	-	-	743,564	-	743,564
Noninstructional Staff - Retirees' Benefits and Retirement Incentives		6740	-	-	-	184,572	-	184,572
Objects to Exclude								
Rents and Leases		5060	-	-	-	-	-	-
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	-	-	-	-	-	-
Total Supplies and Materials			-	-	-	-	-	-

Chaffey Community College District
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
Year Ended June 30, 2023

	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	\$ -	\$ -	\$ -	\$ 3,058,701	\$ -	\$ 3,058,701
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		13,597	-	13,597	3,993,998	-	3,993,998
Total for ECS 84362, 50% Law Percent of CEE (Instructional Salary Cost/Total CEE)		\$ 66,863,044	\$ -	\$ 66,863,044	\$ 132,319,088	\$ -	\$ 132,319,088
50% of Current Expense of Education		50.53%		50.53%	100.00%		100.00%
					\$ 66,159,544		\$ 66,159,544

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				\$ 8,099,743
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 8,099,743	\$ -	\$ -	\$ 8,099,743
Total Expenditures for EPA		\$ 8,099,743	\$ -	\$ -	\$ 8,099,743
Revenues Less Expenditures					\$ -

Chaffey Community College District
Reconciliation of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance		
General Funds	\$ 57,234,206	
Special Revenue Funds	69,861,465	
Capital Project Funds	187,282,092	
Debt Service Funds	24,317,346	
Internal Service Funds	1,290,638	
Fiduciary Funds	<u>17,828,313</u>	
Total fund balance - all District funds		\$ 357,814,060
Amounts held in trust on behalf of others (OPEB Trust)		(17,828,313)
Capital and right-to-use subscription IT 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	487,820,882	
Accumulated depreciation is	(155,648,026)	
The cost of right-to-use subscription IT assets is	2,665,396	
Accumulated amortization is	<u>(737,477)</u>	
Total capital and right-to-use subscription IT assets, net		334,100,775
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources at year-end consist of		
Deferred outflows of resources related to debt refunding	16,311,911	
Deferred outflows of resources related to OPEB	7,045,857	
Deferred outflows of resources related to pensions	<u>38,160,205</u>	
Total deferred outflows of resources		61,517,973
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(921,182)

Chaffey Community College District
Reconciliation of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2023

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of

General obligation bonds, including premiums	\$ (309,400,862)	
Lease revenue bonds	(25,815,000)	
Redevelopment agreement payable	(940,000)	
Subscription-based IT arrangements	(1,844,668)	
Compensated absences	(2,343,234)	
Aggregate net OPEB liability	(733,234)	
Aggregate net pension liability	<u>(118,397,829)</u>	
Total long-term liabilities		\$ (459,474,827)

Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB	(2,293,816)	
Deferred inflows of resources related to pensions	<u>(13,245,052)</u>	
Total deferred inflows of resources		<u>(15,538,868)</u>
Total net position		<u><u>\$ 259,669,618</u></u>

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing as of June 30, 2023.

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

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 students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

ECS 84362 requires the District to expend a minimum of 50% 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.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

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
June 30, 2023

Chaffey Community College District



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 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 (*Government Auditing Standards*), the financial statements of the business-type activities and the remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2023, 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 22, 2023.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. As a result of implementing the standard, there was no effect on the District's business-type activities beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 22, 2023



Independent Auditor's Report on Compliance for Each Major Federal Program; 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

Opinion on Each Major Federal Program

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, Chaffey Community College District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 22, 2023



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 described in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2023.

Opinion

In our opinion, Chaffey Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table below that were audited for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the standards and procedures identified in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

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 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 494	State Fiscal Recovery Fund
Section 499	COVID-19 Response Block Grant Expenditures

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

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 22, 2023



Schedule of Findings and Questioned Costs
June 30, 2023

Chaffey Community College District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
Dollar threshold used to distinguish between type A and type B programs	\$1,467,502
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for state programs	Unmodified
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None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.