Financial Statements
June 30, 2020

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 Financial Statements
We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 12, and other required supplementary information on pages 68 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
March 1, 2021

USING THIS ANNUAL REPORT

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

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

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

The focus of the Statement of Net Position is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term 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.

Comparative information is included for the years ended June 30, 2020 and 2019.

FINANCIAL HIGHLIGHTS

The economic position of the District is closely tied to the State of California, as State apportionments allocated to the District in 2019-2020 represented approximately 84 percent of the Unrestricted General Fund revenues.

To maximize student success and stabilize funding, in 2018-2019 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 2019-2020, 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 3.26 percent there are three components to the SCFF:

1. The Base Allocation (70 percent of funding) is driven by enrollment and the size of colleges and number of centers. The actual factored FTES per the 2019-2020 recalculated apportionment attendance report was 16,948.12. This is an increase of 32.14 FTES from the prior year actual FTES of 16,915.98. The FTES increase is the result of 2019-2020 growth of .19 percent. The 2019-2020 FTES funding, per the formula, is based on a three year average credit FTES, of 15,335.69 plus other non-credit FTES of 784.52 for a total of 16,120.20 FTES. The District also received funding for having one medium sized college and two State approved centers.
2. The Supplemental Allocation (20 percent of funding) is based on the number of low-income students.
3. The Student Success Allocation (10 percent of funding) is calculated using various performance-based metrics.

- However, in 2019-2020, the State revenue to fund, primarily Education Protection Act funding, was insufficient. As a result, while the District was successful in all three components and earned $110,421,117 in State revenue, as of June 30, 2020, the District only received $101,406,605. Despite this shortfall, the District remains fiscally solvent. It is expected that during the 2020-2021 recalculation of the 2019-2020 fiscal year apportionment, the District may receive additional 2019-2020 funding.

- At the close of the 2019-2020 fiscal year, the unrestricted General Fund reserve met the California Community Colleges Chancellor's Office recommendation to maintain a minimum of a five percent reserve. In addition, the District's Governing Board policy of a seven percent reserve has also been met. By maintaining this reserve, the District will have funds available for unanticipated expenditures and budget uncertainties.

- Effects of COVID-19 - In March 2020, the Governor imposed a statewide closure of buildings for nonessential entities, including California Community Colleges. Although instruction continued where possible via online platforms, enrollment declined system-wide. In 2019-2020, Chaffey College did not experience a decline, but was able to maintain FTES and grow the allowable .19 percent. Most District classes were converted to online with some hybrid classes. However, it is anticipated that the District will experience an FTES decline in 2020-2021. Any decline in 2020-2021 will not necessarily equate to a loss in funding since the Chancellor's Office has established two mechanisms to maintain funding even with an FTES loss. These include:

  - Emergency Conditions Allowance – Allows FTES reported in 2019-2020 to be used for 2020-2021 funding and as the 2020-2021 portion to determine the three- year average for future years.

  - Minimum Revenue Protections – Hold harmless provision in place through 2023-2024; districts earn at least their 2017-2018 state computational revenue adjusted by COLA each year.

- To assist with COVID-19 related costs to convert to on-line classes and to continue operations, the District received allocations of $13,002,922 in restricted federal Higher Education Emergency Relief (HEERF/CARES) funds in 2019-2020 and $1,014,890 in state COVID-19 Response Block Grant funds in 2020-2021.These funds can be used for student financial aid and other COVID-19 related institutional costs.

- The District is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges. The last accreditation review was completed in October 2016. The Accrediting Commission reaffirmed the District's accreditation status in January 2017. Reaffirmation indicates that the Commission has determined that the institution is in compliance with accreditation standards. The District submitted their midterm report in October of 2020 and the next accreditation on-site review will be in Fall, 2023.

  Chaffey College continues to operate as a fiscally independent district. The District no longer utilizes the San Bernardino County Superintendent of Schools as a pass-through to process commercial and payroll warrants, but deals directly with the San Bernardino County Treasurer's and Auditor-Controller's Offices. Fiscal independence provides the District with greater internal controls and enables the District to meet their financial obligations by providing timely services to the outside business community, students, and employees.

- During the 2014-2015 fiscal year, the District established a Governmental Accounting Standards Board (GASB) Statement No. 74 irrevocable trust with Futuris Public Entity Investment Trust to fund other postemployment benefit (OPEB) obligations. The investment balance in this trust as of June 30, 2020, was $9.2 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, 2020 was $126.1 million.

- During the 2016-2017 fiscal year, the District established an irrevocable pension stability trust with California Public Entity Pension Trust to assist in stabilizing the District's funding for increasing future State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) liabilities. The investment balance in this trust as of June 30, 2020 was $1.5 million.

- During the 2017-2018 school year, the District completed a 5.5 Megawatt solar photovoltaic carport project on the Rancho Cucamonga, Chino, and Fontana campuses. The project consisted of the installation of 13,712 solar panels that created 1,100 shaded parking spaces at the Rancho Cucamonga Campus, 240 at the Chino Campus, and 94 at the Fontana Campus. Over the past two and one half years, this project has reduced the District's consumption of approximately 23 million Kilowatt Hours resulting in a savings of $2.6 million dollars. In order to subsidize a portion of the finance costs, the District submitted an application to the Internal Revenue Service (IRS) and applied for an allocation of Clean Renewable Energy Bonds (CREBS) of up $18,300,000. The IRS approved the request and the District received an allocation and authority to issue new CREBS up to $18,300,000. The District entered into a lease-purchase financing agreement with Banc of America Leasing and Capital, LLC at a 4.25 percent interest rate. After accounting for the IRS subsidy, the net interest rate to the District is 1.27 percent. The debt service will be paid from the energy savings.

- Measure L continues to support capital improvements and the District has various construction projects funded by the 2002 $230 million general obligation bond and capital projects funds in progress throughout the District.

- In addition, on November 6, 2018, the residents of Chaffey Community College District passed Measure P, a general obligation bond providing the college with $700 million for site acquisition, renovation and new construction of facilities throughout the college district. The first issuance of $200 million occurred in September, 2019 to fund the first phase of projects over the next 36-48 months. 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 14 acres of land in the city of Fontana was completed during the fiscal year for the expansion of the Fontana Campus. There were no projects in the construction phase during the period 2019-2020 for Measure L or Measure P, but project plans are in the development stages.

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

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

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

Condensed financial information is as follows:

Net Position
as of June 30,

	2020	2019
Current		
Cash and investments	$ 311,037,696	$ 94,787,800
Other current assets	21,880,692	11,317,069
Total current assets	332,918,388	106,104,869
Noncurrent Assets		
Capital assets, net of depreciation	308,643,279	302,749,375
Total assets	641,561,667	408,854,244
Deferred Outflows of Resources		
Deferred charges on refunding	22,218,806	10,451,233
Deferred outflows of resources related to OPEB and pensions	42,411,878	37,901,335
Total deferred outflows of resources	64,630,684	48,352,568
Current Liabilities		
Accounts payable and accrued liabilities	25,663,121	21,518,948
Unearned revenue	16,653,915	15,901,921
Long-term liabilities - current portion	18,065,000	8,056,015
Total current liabilities	60,382,036	45,476,884
Noncurrent Liabilities		
Long-term liabilities	510,576,292	295,735,339
Total liabilities	570,958,328	341,212,223
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	5,747,178	4,600,978
Net Position		
Net investment in capital assets	132,445,973	143,336,676
Restricted	58,347,281	32,361,144
Unrestricted deficit	(61,306,409)	(64,304,209)
Total net position	$ 129,486,845	$ 111,393,611

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.

Capital assets, net of depreciation, are the historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Gross capital assets increased approximately $17.5 million due to the projects funded by the general obligation bond. Current year depreciation expense was $11.8 million for a net increase in our capital asset balance of $5.9 million, net of disposals. Note 6 to the financial statements provides additional information on capital assets.

Long-term liabilities consist primarily of general obligation and lease revenue bonds, aggregate net OPEB liability, and aggregate net pension liability. At June 30, 2020, the District had $394.3 million in debt outstanding due to the issuance of bonds and notes payable. Note 10 to the financial statements provides additional information on long-term liabilities. At June 30, 2020, the District's aggregate net pension liability was $126.1 million. Note 13 to the financial statements provides additional information on the District's aggregate net pension liability.

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

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

	2020	2019
Operating Revenues		
Tuition and fees (net)	$ 10,568,536	$ 11,831,081
Federal, State, and local grants and contracts, noncapital	37,501,409	37,353,190
Bookstore, net sales	4,262,789	4,964,728
Total operating revenues	52,332,734	54,148,999
Operating Expenses		
Salaries and benefits	132,293,527	124,936,177
Supplies, materials, and other operating expenses	24,796,217	27,614,179
Student financial aid	38,310,141	32,953,846
Depreciation	11,765,883	9,240,686
Total operating expenses	207,165,768	194,744,888
Operating Loss	(154,833,034)	(140,595,889)
Nonoperating Revenues (Expenses)		
State apportionments, noncapital	64,603,244	51,470,473
Federal and State financial aid grants, noncapital	32,344,117	29,564,881
Property taxes	74,842,153	59,754,477
Other state revenues	5,093,124	3,931,119
Net interest and investment expense	(2,954,873)	(4,933,878)
Other nonoperating revenues (expenses)	(1,571,511)	420,415
Total nonoperating revenue (expenses)	172,356,254	140,207,487
Other Revenues and (Losses)		
State revenues, capital	582,000	-
Loss on disposal of capital assets	(11,986)	(15,824)
Total other revenues and (losses)	570,014	(15,824)
Change in Net Position	$ 18,093,234	$ (404,226)

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.

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

Statement of Functional Expenses
for the Year Ended June 30, 2020

	Salaries and Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 66,913,662	$ 2,697,011	$ -	$ -	$ 69,610,673
Academic support	8,556,725	415,534	-	-	8,972,259
Student services	19,396,420	1,030,079	-	-	20,426,499
Plant operations and maintenance	4,495,253	1,072,451	-	-	5,567,704
Instructional support services	26,867,847	6,740,058	-	-	33,607,905
Community services and economic development	1,831,341	638,499	-	-	2,469,840
Ancillary services and auxiliary operations	4,143,608	2,054,574	-	-	6,198,182
Student financial aid	-	-	38,310,141	-	38,310,141
Physical property and related acquisitions	88,671	8,668,629	-	-	8,757,300
Other outgo	-	1,479,382	-	-	1,479,382
Unallocated depreciation	-	-	-	11,765,883	11,765,883
Total	$ 132,293,527	$ 24,796,217	$ 38,310,141	$ 11,765,883	$ 207,165,768

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

Statement of Cash Flows
for the Years Ended June 30,

	2020	2019
Cash from		
Operating activities	$ (137,689,862)	$ (106,756,463)
Noncapital financing activities	145,844,717	114,929,825
Capital financing activities	205,464,921	(13,560,799)
Investing activities	2,630,120	1,446,318
Net Change in Cash and Cash Equivalents	216,249,896	(3,941,119)
Cash and Cash Equivalents, Beginning of Year	94,787,800	98,728,919
Cash and Cash Equivalents, End of Year	$ 311,037,696	$ 94,787,800

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

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

CONTACTING THE DISTRICT

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

Assets	
Cash and cash equivalents	$ 4,517,533
Investments	306,520,163
Accounts receivable	16,655,437
Student receivables, net	4,239,383
Due from fiduciary funds	24,835
Inventories	961,037
Capital assets	
Nondepreciable capital assets	67,630,820
Depreciable capital assets, net of depreciation	241,012,459
Total capital assets	308,643,279
Total assets	641,561,667
Deferred Outflows of Resources	
Deferred charges on refunding	22,218,806
Deferred outflows of resources related to other postemployment benefits (OPEB)	6,994,657
Deferred outflows of resources related to pensions	35,417,221
Total deferred outflows of resources	64,630,684
Liabilities	
Accounts payable	18,606,977
Accrued interest payable	1,056,144
Due to fiduciary funds	6,000,000
Unearned revenue	16,653,915
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	18,065,000
Long-term liabilities other than OPEB and pensions, due in more than one year	378,370,230
Aggregate net OPEB liability	6,124,509
Aggregate net pension liability	126,081,553
Total long-term liabilities	528,641,292
Total liabilities	570,958,328
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	5,747,178
Net Position	
Net investment in capital assets	132,445,973
Restricted for	
Debt service	37,378,961
Capital projects	14,362,979
Educational programs	4,164,360
Other activities	2,440,981
Unrestricted deficit	(61,306,409)
Total net position	$ 129,486,845

Operating Revenues	
Student tuition and fees	$ 23,869,547
Less scholarships discount and allowances	(13,301,011)
Net tuition and fees	10,568,536
Grants and Contracts, noncapital	
Federal	7,988,156
State	29,263,354
Local	249,899
Total grants and contracts, noncapital	37,501,409
Sales	
Bookstore, net	4,262,789
Total operating revenues	52,332,734
Operating Expenses	
Salaries	86,112,449
Employee benefits	46,181,078
Supplies, materials, and other operating expenses and services	24,796,217
Student financial aid	38,310,141
Depreciation	11,765,883
Total operating expenses	207,165,768
Operating Loss	(154,833,034)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	64,603,244
Federal financial aid grants, noncapital	28,880,034
State financial aid grants, noncapital	3,464,083
Local property taxes, levied for general purposes	48,598,574
Taxes levied for other specific purposes	26,243,579
State taxes and other revenues	5,093,124
Investment income	3,626,437
Interest expense on capital related debt	(7,212,803)
Investment income on capital asset - related debt	631,493
Transfer to fiduciary funds	(3,000,000)
Other nonoperating revenues	1,428,489
Total nonoperating revenues (expenses)	172,356,254
Net Income Before Other Revenues and Losses	17,523,220
Other Revenues and Losses	
State revenues, capital	582,000
Loss on disposal of capital assets	(11,986)
Total other revenues and losses	570,014
Change in Net Position	18,093,234
Net Position, Beginning of Year	111,393,611
Net Position, End of Year	$ 129,486,845

Operating Activities	
Tuition and fees	$ 9,301,748
Grants and contracts	37,217,185
Auxiliary enterprise sales	4,262,789
Payments to or on behalf of employees	(125,100,848)
Payments to vendors for supplies and services	(25,060,595)
Payments to students for scholarships and grants	(38,310,141)
Net Cash Flows from Operating Activities	(137,689,862)
Noncapital Financing Activities	
State apportionments	58,949,078
Financial aid grants	32,344,117
Property taxes - non-debt related	48,047,420
State taxes and other apportionments	4,498,095
Other nonoperating	2,006,007
Net Cash Flows from Noncapital Financing Activities	145,844,717
Capital Financing Activities	
State apportionments capital projects	582,000
Property taxes - related to capital debt	26,243,579
Acquisition and construction of capital assets	(17,581,854)
Proceeds from capital debt	330,263,373
Principal paid on capital debt and leases	(111,616,015)
Interest paid on capital debt	(23,057,655)
Interest received on capital asset - related debt	631,493
Net Cash Flows from Capital Financing Activities	205,464,921
Investing Activities	
Investment income	2,630,120
Net Change in Cash and Cash Equivalents	216,249,896
Cash and Cash Equivalents, Beginning of Year	94,787,800
Cash and Cash Equivalents, End of Year	$ 311,037,696

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$(154,833,034)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	11,765,883
Changes in assets, deferred outflows, liabilities and deferred inflows	
Receivables	(2,303,006)
Inventories	147,369
Deferred outflows of resources related to OPEB	(4,976,797)
Deferred outflows of resources related to pensions	466,254
Accounts payable	(456,977)
Unearned revenue	751,994
Compensated absences payable	436,642
Aggregate net OPEB liability	2,573,581
Aggregate net pension liability	7,592,029
Deferred inflows of resources related to pensions	1,146,200
Total adjustments	17,143,172
Net Cash Flows from Operating Activities	$(137,689,862)
Cash and Cash Equivalents Consist of	
Cash in banks	$ 4,517,533
Cash with County Treasury	306,520,163
Total cash and cash equivalents	$ 311,037,696
Noncash Transactions	
Amortization of deferred charges on refunding	$ 1,968,965
Recognition of deferred charges on refunding	$ 13,736,538
Amortization of debt premium	$ 4,399,672

	Retiree OPEB Trust	Other Trust Funds
Assets		
Cash and cash equivalents	$ -	$ 1,376,348
Investments	9,200,986	1,538,251
Accounts receivable	-	11,723
Due from primary government	3,000,000	3,000,000
Total assets	12,200,986	5,926,322
Liabilities		
Accounts payable	-	2,409
Due to primary government	-	24,835
Unearned revenue	-	146,830
Total liabilities	-	174,074
Net Position		
Restricted for postemployment benefits other than pensions	12,200,986	-
Restricted for pensions	-	4,538,251
Unrestricted	-	1,213,997
Total net position	$ 12,200,986	$ 5,752,248

	Retiree OPEB Trust	Other Trust Funds
Additions		
Interest and investment income	$ 411,150	$ -
District contributions	3,664,445	-
Local revenues	-	1,052,802
Operating transfers in	-	3,000,000
Total additions	4,075,595	4,052,802
Deductions		
Classified salaries	-	26,129
Employee benefits	664,445	3,696
Books and supplies	-	9,350
Administrative expenses	76,080	-
Services and operating expenditures	-	811,781
Total deductions	740,525	850,956
Change in Net Position	3,335,070	3,201,846
Net Position - Beginning of Year	8,865,916	2,550,402
Net Position - End of Year	$ 12,200,986	$ 5,752,248

Note 1 - Organization

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

Financial Reporting Entity

The District has adopted 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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. The District has evaluated the Chaffey Community College Foundation, Inc. and has determined the relationship does not meet the criteria of a component unit and has not included the financial information in this report.

Note 2 - Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations, 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.

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be 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 with original maturities greater than one year 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 are stated at cost or amortized cost.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $630,099 for the year ended June 30, 2020.

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

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

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

Accrued Liabilities and Long-Term Liabilities

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

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 entity-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. The liability for this benefit is reported on the government-wide financial statements.

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

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, OPEB related items, and pension related items. The deferred charges on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. Payments for the aggregate net pension 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 and deferred outflows 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 fiduciary net position have been determined on the same basis as they are reported by the District's Plan and MPP. For this purpose, the District's Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Payments for the aggregate net OPEB liability will be paid by the 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 includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, loan payable, aggregate net OPEB liability, and aggregate net pension 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 assets, net of accumulated depreciation, 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 their 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 $58,347,281 of restricted net position, and the fiduciary fund financial statements report $16,739,237 of restricted net position.

Operating Revenues and Expenses

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

> **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
>
> **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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

> **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
>
> **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

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

Property Taxes

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

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

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective *dates of certain provisions in Statements and Implementation Guides that first became effective or are* scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented this standard as of June 30, 2020.

New Accounting Pronouncements

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

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

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

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

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
  The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers

- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and Investments

Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

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

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, 2020, consist of the following:

Primary government	$ 311,037,696
Fiduciary funds	12,115,585
Total deposits and investments	$ 323,153,281
Cash on hand and in banks	$ 5,838,381
Cash in revolving	55,500
Investments	317,259,400
Total deposits and investments	$ 323,153,281

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment Pool, municipal bonds, and mutual funds.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Investment Pool was rated by Fitch Ratings. The District's Municipal Bonds were rated by Standards & Poor's as of June 30, 2020.

Investment Type	Reported Amount	Weighted Average Days to Maturity	Average Credit Rating
San Bernardino County Investment Pool	$ 305,027,114	553	AAAf/S1
Investment Money Market Funds	58,049	No maturity	Not rated
Municipal Bonds	1,435,000	6,757	AA-
Mutual Funds	10,739,237	No maturity	Not rated
Total	$ 317,259,400		

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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of approximately $5.0 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, 2020, the District's investment balance of approximately $12.2 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, 2020:

Investment Type	Fair Value	Level 1 Inputs
Investment Money Market Funds	$ 58,049	$ 58,049
Municipal Bonds	1,435,000	1,435,000
Mutual Funds	10,739,237	10,739,237
Total	$ 12,232,286	$ 12,232,286

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

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2020, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 3,015,769
State Government	
Apportionment	6,438,570
Categorical aid	819,461
Lottery	1,008,434
Other State sources	1,106,885
Local Sources	
Property taxes	1,935,094
Interest	1,510,840
Other local sources	820,384
Total	$ 16,655,437
Student receivables	$ 4,869,482
Less allowance for bad debt	(630,099)
Student receivables, net	$ 4,239,383

	Fiduciary Funds
Other local	$ 11,723

Note 6 - Capital Assets

Capital asset activity for the primary government for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	$ 51,556,772	$ 13,546,435	$ -	$ 65,103,207
Construction in progress	845,877	2,513,732	(831,996)	2,527,613
Total capital assets not being depreciated	52,402,649	16,060,167	(831,996)	67,630,820
Capital Assets Being Depreciated				
Buildings and improvements	321,957,887	454,280	-	322,412,167
Machinery and equipment	43,375,486	1,989,322	(148,920)	45,215,888
Total capital assets being depreciated	365,333,373	2,443,602	(148,920)	367,628,055
Total capital assets	417,736,022	18,503,769	(980,916)	435,258,875
Less Accumulated Depreciation				
Buildings and improvements	(96,914,300)	(9,399,206)	-	(106,313,506)
Machinery and equipment	(18,072,347)	(2,366,677)	136,934	(20,302,090)
Total accumulated depreciation	(114,986,647)	(11,765,883)	136,934	(126,615,596)
Net Capital Assets	$ 302,749,375	$ 6,737,886	$ (843,982)	$ 308,643,279

Depreciation expense for the year was $11,765,883.

Note 7 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the primary government owed the fiduciary funds $6,000,000, and the fiduciary funds owed the primary government $24,835.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the year ended June 30, 2020, the primary government transferred $3,000,000 to the fiduciary funds.

Note 8 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government
Accrued payroll and benefits	$ 4,710,704
State apportionment	10,030,076
State categorical	428,805
Construction	578,518
Vendor payables	2,858,874
Total	$ 18,606,977

	Fiduciary Funds
Vendor payables	$ 2,409

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
Federal categorical aid	$ 54,406
State categorical aid	10,694,861
Enrollment fees	5,336,891
Other local	567,757
Total	$ 16,653,915

	Fiduciary Funds
Other local	$ 146,830

Note 10 - 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 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 132,540,000	$ 310,380,000	$ (110,525,000)	$ 332,395,000	$ 16,905,000
Unamortized bond premium	15,083,617	19,883,373	(4,399,672)	30,567,318	-
Lease revenue refunding bonds, 2017	14,135,000	-	(205,000)	13,930,000	260,000
Lease revenue bonds, Series 2017	16,755,000	-	(730,000)	16,025,000	760,000
Redevelopment agreement payable	1,500,000	-	(140,000)	1,360,000	140,000
Total bonds and notes payable	180,013,617	330,263,373	(115,999,672)	394,277,318	18,065,000
Other Liabilities					
Compensated absences	1,721,270	436,642	-	2,157,912	-
Energy optimization loan	16,015	-	(16,015)	-	-
Total other liabilities	1,737,285	436,642	(16,015)	2,157,912	-
Total long-term liabilities	$ 181,750,902	$ 330,700,015	$ (116,015,687)	$ 396,435,230	$ 18,065,000

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. 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 percent to 3.63 percent. The unamortized premium balance at June 30, 2020, was $939,616. At June 30, 2020, $1,730,000 was outstanding.

2012 General Obligation Bonds, Series E

In August 2012, the District issued the 2012 General Obligation Bonds, Series E, in the amount of $15,305,000. The bonds mature beginning on June 1, 2013 through June 1, 2022, with interest rates ranging from 2.00 percent to 5.00 percent. The unamortized premium balance at June 30, 2020, was $558,186. At June 30, 2020, $2,410,000 was outstanding.

2012 General Obligation Refunding Bonds

In August 2012, the District issued $47,020,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease all remaining outstanding 2002 General Obligation Bonds, Series A, and a portion of the 2005 General Obligation Bonds, Series B, and pay the associated costs with the issuance of the bonds. The refunding defeased $48,465,000 of the old debt. The bonds mature beginning on June 1, 2013 through June 1, 2022. Interest rates range from 2.00 percent to 5.00 percent.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $6,459,556. The difference reported in the accompanying financial statements as a deferred charges on refunding is being charged to operations through the year 2028 using the straight-line method. The deferred charges on refunding balance at June 30, 2020, was $3,246,687. The unamortized premium balance at June 30, 2019, was $3,410,495. The outstanding principal balance of the bonds at June 30, 2020, was $5,010,000.

2014 General Obligation Refunding Bonds

In September 2014, the District issued $84,675,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease all remaining outstanding 2005 General Obligation Bonds, Series B, and a portion of the 2007 General Obligation Bonds, Series C, and pay the associated costs with the issuance of the bonds. The refunding defeased $86,005,000 of the old debt. The bonds mature beginning on June 1, 2015 through June 1, 2026. Interest rates range from 1.00 percent to 5.00 percent.

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

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $9,375,561. The difference reported in the accompanying financial statements as deferred charges on refunding is being charged to operations through the year 2030 using the straight-line method. The deferred charges on refunding balance at June 30, 2020, was $5,859,724. The unamortized premium balance at June 30, 2020, was $6,477,614. The outstanding principal balance of the bonds at June 30, 2020, was $20,430,000.

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 percent to 5.00 percent. The unamortized premium balance at June 30, 2020, was $19,181,407. At June 30, 2020, $195,000,000 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 percent to 2.90 percent.

Because the transaction qualified as a legal defeasance, the obligation for the defeased bonds has been removed from the District's financial statements. The economic gain calculated as the sum of the project fund proceeds and the net present value savings is approximately $8,120,000.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $4,981,208. The difference reported in the accompanying financial statements as deferred charges on refunding is being charged to operations through the year 2036 using the straight-line method. The deferred charges on refunding balance at June 30, 2020, was $4,704,474. The outstanding principal balance of the bonds at June 30, 2020, was $48,890,000.

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 percent to 2.02 percent

Because the transaction qualified as a legal defeasance, the obligation for the defeased bonds has been removed from the District's financial statements. The economic gain calculated as the sum of the project fund proceeds and the net present value savings is approximately $5,037,000.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $8,755,330. The difference reported in the accompanying financial statements as deferred charges on refunding is being charged to operations through the year 2032 using the straight-line method. The deferred charges on refunding balance at June 30, 2020, was $8,081,843. The outstanding principal balance of the bonds at June 30, 2020, was $58,925,000.

The outstanding general obligation bonded debt is as follows:

Issuance	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Additions	Refunded	Redeemed	Bonds Outstanding June 30, 2020
2012 Series D	2030	2.80-3.63%	$12,130,000	$ 12,130,000	$ -	$ (10,400,000)	$ -	$ 1,730,000
2012 Series E	2022	2.00-5.00%	15,305,000	6,150,000	-	(2,595,000)	(1,145,000)	2,410,000
2012 Refunding	2022	2.00-5.00%	47,020,000	39,330,000	-	(32,150,000)	(2,170,000)	5,010,000
2014 Refunding	2026	1.00-5.00%	84,675,000	74,930,000	-	(50,850,000)	(3,650,000)	20,430,000
2019 Series A	2048	1.61-5.00%	200,000,000	-	200,000,000	-	(5,000,000)	195,000,000
2019 Refunding	2036	1.62-2.90%	50,425,000	-	50,425,000	-	(1,535,000)	48,890,000
2020 Refunding	2032	0.90-2.02%	59,955,000	-	59,955,000	-	(1,030,000)	58,925,000
				$132,540,000	$310,380,000	$ (95,995,000)	$(14,530,000)	$332,395,000

Debt Service Requirements to Maturity

The general obligation bonds mature through 2048 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$16,905,000	$10,179,998	$ 27,084,998
2022	12,560,000	9,719,670	22,279,670
2023	12,900,000	9,277,386	22,177,386
2024	11,870,000	8,862,335	20,732,335
2025	11,810,000	8,515,393	20,325,393
2026-2030	67,780,000	39,087,539	106,867,539
2031-2035	38,405,000	32,710,993	71,115,993
2036-2040	42,020,000	27,642,166	69,662,166
2041-2045	64,900,000	18,580,300	83,480,300
2046-2048	53,245,000	5,140,650	58,385,650
Total	$332,395,000	$169,716,430	$502,111,430

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 refunding resulted in a present value cash flow savings to the District of $1,862,215 discounted at 2.23 percent. The bonds mature beginning on May 1, 2018 through May 1, 2032, with interest rates of 2.23 and 4.24 percent. At June 30, 2020, $13,930,000 was outstanding.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $377,091. The difference reported in the accompanying financial statements as deferred charges on refunding is being charged to operations through the year 2032 using the straight-line method. The deferred charges on refunding balance at June 30, 2020, was $326,078.

During the 2018 fiscal year, the District issued the 2017 Lease Revenue Bonds. The District received proceeds in the amount of $18,300,000 to fund the construction of a solar panel covered parking lot. The bonds mature beginning on May 1, 2018 through May 1, 2036, with an interest rate of 4.25 percent. At June 30, 2020, $16,025,000 was outstanding.

The lease revenue bonds mature through 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 1,020,000	$ 1,237,670	$ 2,257,670
2022	1,260,000	1,198,145	2,458,145
2023	1,860,000	1,147,108	3,007,108
2024	1,980,000	1,075,020	3,055,020
2025	2,065,000	990,028	3,055,028
2026-2030	11,620,000	3,544,866	15,164,866
2031-2035	8,930,000	1,122,457	10,052,457
2036	1,220,000	38,888	1,258,888
Total	$ 29,955,000	$ 10,354,182	$ 40,309,182

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, 2020, the outstanding balance was $1,360,000.

Principal is due through 2030 as follows:

Fiscal Year	Principal
2021	$ 140,000
2022	140,000
2023	140,000
2024	140,000
2025	140,000
2026-2030	660,000
Total	$ 1,360,000

Loan Payable

During the 2013 fiscal year, the District entered into three loan agreements with Southern California Edison that totaled $634,204. These agreements provided the District with various energy efficient equipment. The monthly payments vary by loan and will continue through the 2020 fiscal year. As of June 30, 2020, the remaining principal balance has been paid in full.

Compensated Absences

At June 30, 2020, the liability for compensated absences was $2,157,912.

Note 11 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 5,610,715	$ 6,994,657	$ (2,402,349)
Medicare Premium Payment (MPP) Program	513,794	-	(867)
Total	$ 6,124,509	$ 6,994,657	$ (2,403,216)

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, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	39
Active employees	537
Total	576

Retiree Health Benefit OPEB Trust

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by management and the District's governing board. For the measurement period ending June 30, 2019, the District contributed $2,017,860 to the Plan, $517,860 was used for current premiums, and $1,500,000 was transferred to the OPEB irrevocable trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2019:

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

Rate of Return

For the year ended June 30, 2019, the annual money-weighed rate of return on investments, net of investment expense, was 5.12 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $5,610,715 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	$ 14,476,631
Plan fiduciary net position	(8,865,916)
Net OPEB liability	$ 5,610,715
Plan fiduciary net position as a percentage of the total OPEB liability	61.24%

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	5.80 percent
Healthcare cost trend rates	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study as of June 2019.

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, 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.7%
Fixed income	3.7%
International equity	7.1%
Real estate	6.9%
Cash	1.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.80 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, July 1, 2018	$ 10,106,428	$ 7,070,161	$ 3,036,267
Service cost	716,512	-	716,512
Interest	663,371	-	663,371
Differences between expected and actual experience	2,847,372	-	2,847,372
Contributions - employer	-	2,017,860	(2,017,860)
Expected investment income	-	457,469	(457,469)
Differences between projected and actual earnings on OPEB plan investments	-	(97,318)	97,318
Changes of assumptions	660,808	-	660,808
Benefit payments	(517,860)	(517,860)	-
Administrative expense	-	(64,396)	64,396
Net change in total OPEB liability	4,370,203	1,795,755	2,574,448
Balance, June 30, 2019	$ 14,476,631	$ 8,865,916	$ 5,610,715

Changes of assumptions reflect a change in the discount rate from 6.50 percent to 5.80 percent since the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.80%)	$ 6,631,053
Current discount rate (5.80%)	5,610,715
1% increase (6.80%)	4,678,191

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 4,762,814
Current healthcare cost trend rate (4.00%)	5,610,715
1% increase (5.00%)	6,450,496

Deferred Outflows of Resources Related to OPEB

At June 30, 2020, the District reported deferred outflows of resources for OPEB for the following:

	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	$ 3,664,445
Differences between expected and actual experience	2,639,534
Changes of assumptions	612,573
Net difference between projected and actual earnings on OPEB plan investments	78,105
Total	$ 6,994,657

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 of resources related to the differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2021	$ 19,548
2022	19,548
2023	19,548
2024	19,461
Total	$ 78,105

Amounts reported as deferred outflows of resources related to differences between expected and actual experience 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 13.7 years and amounts will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2021	$ 256,073
2022	256,073
2023	256,073
2024	256,073
2025	256,073
Thereafter	1,971,742
Total	$ 3,252,107

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, 2018 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.

Contributions

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $513,794 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.1380 percent and 0.1345 percent, respectively, resulting in a net increase in the proportionate share of 0.0035 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $(867).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

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 380 or an average of 0.23 percent of the potentially eligible population (165,422).

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, 2019, 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, 2019 is 3.50 percent. 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 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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 (2.50%)	$ 560,666
Current discount rate (3.50%)	513,794
1% increase (4.50%)	470,697

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 481,578
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	513,794
1% increase (4.7% Part A and 5.1% Part B)	578,143

Note 12 - Risk Management

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, 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, 2020, 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 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, 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	$ 70,439,495	$ 22,216,423	$ 5,231,088	$ 10,072,978
CalPERS	55,642,058	13,200,798	516,090	9,352,574
Total	$ 126,081,553	$ 35,417,221	$ 5,747,178	$ 19,425,552

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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were $7,942,725.

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

At June 30, 2020, 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	$ 70,439,495
State's proportionate share of the net pension liability associated with the District	38,429,447
Total	$ 108,868,942

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.0780 percent and 0.0749 percent, respectively, resulting in a net increase in the proportionate share of 0.0031 percent.

For the year ended June 30, 2020, the District recognized pension expense of $10,072,978. In addition, the District recognized pension expense and revenue of $5,722,973 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,942,725	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,186,819	532,834
Differences between projected and actual earnings on pension plan investments	-	2,713,350
Differences between expected and actual experience in the measurement of the total pension liability	177,822	1,984,904
Changes of assumptions	8,909,057	-
Total	$ 22,216,423	$ 5,231,088

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
2021	$ (273,688)
2022	(2,154,081)
2023	(447,220)
2024	161,639
Total	$ (2,713,350)

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
2021	$ 2,992,720
2022	2,992,720
2023	2,668,345
2024	2,504,469
2025	365,958
Thereafter	231,748
Total	$ 11,755,960

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk mitigating strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 104,890,239
Current discount rate (7.10%)	70,439,495
1% increase (8.10%)	41,873,268

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, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that may be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

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, 2020, are presented above, and the total District contributions were $5,324,655.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $55,642,058. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.1909 percent and 0.1862 percent, respectively, resulting in a net increase in the proportionate share of 0.0047 percent.

For the year ended June 30, 2020, the District recognized pension expense of $9,352,574. At June 30, 2020, 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	$ 5,324,655	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,185,561	-
Differences between projected and actual earnings on pension plan investments	-	516,090
Differences between expected and actual experience in the measurement of the total pension liability	4,041,847	-
Changes of assumptions	2,648,735	-
Total	$ 13,200,798	$ 516,090

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
2021	$ 509,438
2022	(1,017,587)
2023	(154,203)
2024	146,262
Total	$ (516,090)

The deferred outflows 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2021	$ 4,832,248
2022	2,176,392
2023	788,639
2024	78,864
Total	$ 7,876,143

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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 80,204,368
Current discount rate (7.15%)	55,642,058
1% increase (8.15%)	35,265,925

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to $4,014,078 (10.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

Social Security

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

Note 14 - 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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitment with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Museum Gallery Roof	$ 59,640	July 2020
Emergency HVAC Work	163,073	July 2020
	$ 222,713	

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

Note 15 - 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, 2020, the District made payments of $968,617 and $1,679,641 to SCSRM and SCSEBA, respectively.

Note 16 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

Chaffey Community College District

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 716,512	$ 750,237	$ 718,091
Interest	663,371	611,467	562,860
Differences between expected and actual experience	2,847,372	-	-
Changes of assumptions	660,808	-	-
Benefit payments	(517,860)	(574,676)	(541,533)
Net change in total OPEB liability	4,370,203	787,028	739,418
Total OPEB Liability - beginning	10,106,428	9,319,400	8,579,982
Total OPEB Liability - ending (A)	$ 14,476,631	$ 10,106,428	$ 9,319,400
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	(64,396)	(62,088)	(42,729)
Net change in plan fiduciary net position	1,795,755	1,631,254	3,236,106
Plan Fiduciary Net Position - beginning	7,070,161	5,438,907	2,202,801
Plan Fiduciary Net Position - ending (B)	$ 8,865,916	$ 7,070,161	$ 5,438,907
District's Net OPEB Liability - ending (A) - (B)	$ 5,610,715	$ 3,036,267	$ 3,880,493
Plan fiduciary net position as a percentage of the total OPEB liability	61.24%	69.96%	58.36%
Covered-employee payroll	$ 73,448,608	$ 68,949,009	$ 68,241,447
District's net OPEB liability as a percentage of covered-employee payroll	7.64%	4.40%	5.69%
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.

	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	5.12%	6.05%	9.74%

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

	2020	2019	2018
District's proportion of the net OPEB liability	0.1380%	0.1345%	0.1333%
District's proportionate share of the net OPEB liability	$ 513,794	$ 514,661	$ 560,803
District's covered payroll	N/A[1]	N/A[1]	N/A[1]
District's 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.

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.0780%	0.0749%	0.0736%	0.0748%	0.0720%	0.0675%
District's proportionate share of the net pension liability	$ 70,439,495	$ 68,848,355	$ 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	38,429,447	39,418,903	40,282,703	34,463,649	25,645,989	23,816,555
Total	$ 108,868,942	$ 108,267,258	$ 108,374,789	$ 95,002,431	$ 74,136,225	$ 63,258,178
District's covered payroll	$ 45,171,658	$ 42,885,752	$ 41,039,579	$ 38,045,116	$ 36,400,980	$ 32,999,679
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.94%	160.54%	165.92%	159.12%	133.21%	119.52%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.1909%	0.1862%	0.1801%	0.1756%	0.1836%	0.1848%
District's proportionate share of the net pension liability	$ 55,642,058	$ 49,641,169	$ 42,994,529	$ 34,682,765	$ 27,068,929	$ 20,982,604
District's covered payroll	$ 23,777,350	$ 25,355,695	$ 23,009,929	$ 21,036,811	$ 20,268,437	$ 19,485,358
District's proportionate share of the net pension liability as a percentage of its covered payroll	234.01%	195.78%	186.85%	164.87%	133.55%	107.68%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement date	June 30, 2019	June 30, 2018	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.

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 7,942,725	$ 7,353,946	$ 6,188,414	$ 5,162,779	$ 4,082,241	$ 3,232,407
Contributions in relation to the contractually required contribution	7,942,725	7,353,946	6,188,414	5,162,779	4,082,241	3,232,407
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 46,448,684	$ 45,171,658	$ 42,885,752	$ 41,039,579	$ 38,045,116	$ 36,400,980
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 5,324,655	$ 4,294,665	$ 3,937,993	$ 3,195,619	$ 2,492,231	$ 2,385,595
Contributions in relation to the contractually required contribution	5,324,655	4,294,665	3,937,993	3,195,619	2,492,231	2,385,595
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 26,999,924	$ 23,777,350	$ 25,355,695	$ 23,009,929	$ 21,036,811	$ 20,268,437
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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 and Related Ratios

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

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 6.50 percent to 5.80 percent since the previous valuation.

Schedule of OPEB Investment Returns

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

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

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

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

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

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

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

Schedule of District Contributions for Pensions

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

Supplementary Information
June 30, 2020

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.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Gloria Negrete McLeod	President	March 2024
Gary C. Ovitt	Vice President	March 2024
Lee C. McDougal	Clerk	March 2024
Kathleen R. Brugger	Immediate Past President	March 2022
Katherine J. Roberts	Member	March 2022
Lauren Sanders	Student Trustee	June 2020

ADMINISTRATION

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

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Chaffey College Foundation, established 1987
Master Agreement established June 17,1993
Lisa Nashua, Executive Director

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 28,189,834
Federal Pell Grant Program Administrative Allowance	84.063		45,955
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		689,500
FSEOG Administrative Allowance	84.007		20,562
Federal Work-Study Program	84.033		675,650
Federal Work-Study Program Administrative Allowance	84.033		33,783
Subotal Student Financial Assistance Cluster			29,655,284
TRIO Cluster			
Upward Bound	84.047A		281,906
Subotal TRIO Cluster			281,906
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion	84.425E		2,372,000
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F		1,931,307
COVID-19: CARES Act Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		161,544
Subotal			4,464,851
Title III STEM	84.031C		721,010
Developing Hispanic Serving Institutions Program (Title V)	84.031S		574,984
Subotal			1,295,994
Passed through California Community Colleges Chancellor's Office			
CTE Transitions	84.048A	19-C01-008	24,878
Career and Technical Education Act, Perkins Title I, Part C	84.048A	19-C01-008	669,348
Subotal			694,226
Child Care Access Means Parents in School (CCAMPIS) Grant	84.335A		106,965
Total U.S. Department of Education			36,499,226

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665		$ 36,393
Subtotal Forest Service Schools and Roads Cluster			36,393
Passed through California Department of Education			
Child and Adult Care Food Program	10.558	04374-CACFP-36-CC-IC	64,630
Total U.S. Department of Agriculture			101,023
National Science Foundation			
Research and Development Cluster			
Passed through Regents of the University of California			
Advancing Theory and Application of Perceptual and Adaptive Learning to Improve Community College Mathematics	47.076	0875 G UD181	22,648
Subtotal Research and Development Cluster			22,648
U.S. Department of Veteran Affairs			
Veterans Education	64.116		587
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]	80,062
Passed through County of San Bernardino Transitional Assistance Department			
Vocational Education and Training	93.558	[1]	24,859
Subtotal			104,921
Child Care and Development Fund (CCDF) Cluster			
Passed through California Department of Education			
Child Care and Development Block Grant	93.575	15136	41,525
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	90,332
Passed through Yosemite Community College District			
Child Development Training Consortium	93.575	[1]	7,228
Subotal Child Care and Development Fund (CCDF) Cluster			139,085
Total U.S. Department of Health and Human Services			244,006
Total Expenditures of Federal Programs			$ 36,867,490

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
Adult Education Block Grant	$ 267,114	$ 125,000	$ -	$ (252,421)	$ 139,693	$ 139,693
Basic Skills	1,456,312	-	-	(725,506)	730,806	730,806
CAFYES Next Up	957,486	-	-	(493,573)	463,913	463,913
Cal Grants	3,464,083	-	-	-	3,464,083	3,464,083
California Apprenticeship Anitiative	280,000	-	-	(123,001)	156,999	156,999
California Promise Grant	1,587,269	-	-	-	1,587,269	1,587,269
CalWORKS	688,009	-	-	(93,280)	594,729	594,729
Campus Child Care Tax Bailout	158,210	-	-	-	158,210	158,210
CAN expansion	1,205	-	-	-	1,205	1,205
Care Program	169,959	-	-	(95,637)	74,322	74,322
Census Outreach Sponsorship Agreement	2,700	-	-	(2,700)	-	-
COE Desert	160,000	22,111	-	-	182,111	182,111
COE RCC	186,279	22,072	-	(100,031)	108,320	108,320
Currently & Formerly Incarcerated Student Reentry Grant	45,455	-	-	(41,543)	3,912	3,912
Deputy Sector Navigator	221,368	-	-	(42,731)	178,637	178,637
DPS	1,689,080	-	-	(368,630)	1,320,450	1,320,450
Employment Training Grant	251,305	258,665	-	(115,291)	394,679	394,679
Extended Opportunity Program and Services (EOPS)	1,432,758	-	-	(506,550)	926,208	926,208
Financial Aid Technology	64,094	-	-	(43,424)	20,670	20,670
General Child Care and Development	382,805	-	-	-	382,805	382,805
General-State Portion - Preschool Program Grant	505,457	-	-	-	505,457	505,457
Guided Pathways	1,003,792	-	-	(631,140)	372,652	372,652
Hunger Free Campus Initiative	29,929	-	-	-	29,929	29,929
Hunger Free Campus Support	152,403	-	-	(58,741)	93,662	93,662
Improving Online CCTE Pathways	145,518	184,479	-	(1,131)	328,866	328,866
Innovation in Higher Education	986,185	-	-	(639,427)	346,758	346,758
Instructional Equipment	438,886	-	-	(391,349)	47,537	47,537
ISPIC	162,510	-	-	-	162,510	162,510
Lottery-Restricted	664,525	475,867	-	-	1,140,392	1,140,392
Mandated Costs	491,898	-	-	-	491,898	491,898
Matriculation	1,091,075	-	-	-	1,091,075	1,091,075
Mental Health Support	145,726	-	-	(3,341)	142,385	142,385

Program	Program Revenues					
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
Non Credit Matriculation	$ 114,198	$ -	$ -	$ (26,483)	$ 87,715	$ 87,715
Nursing Enrollment Grant	199,958	-	(23,609)	(23,428)	152,921	152,921
Part-time Faculty Allocation	1,015,713	-	-	-	1,015,713	1,015,713
Physical Plant and Instructional Equipment Block Grant	1,250,896	-	-	(609,168)	641,728	641,728
Puente Project	5,000	-	-	(4,896)	104	104
Regional Apprenticeship Consortium	30,000	-	-	-	30,000	30,000
SCSJPA School and Health Services Fitness Mini Grant	200,000	-	-	(43,871)	156,129	156,129
Sector Navigator	297,600	42,320	-	-	339,920	339,920
SSSP	3,642,880	-	-	(952,303)	2,690,577	2,690,577
Staff Development	58,686	-	-	(58,686)	-	-
Staff Diversity	63,166	-	-	(9,815)	53,351	53,351
State Meal Reimbursement	3,561	-	-	-	3,561	3,561
Strong Workforce	3,451,500	-	-	(2,111,676)	1,339,824	1,339,824
Strong Workforce Regional	524,768	122,928	-	-	647,696	647,696
Strong Workforce Regional Management	51,997	41,886	-	-	93,883	93,883
Strong Workforce State	2,274,942	-	-	(1,370,806)	904,136	904,136
Student Equity	2,458,242	-	-	(483,245)	1,974,997	1,974,997
Student Financial Assistance Programs (BFAP)	719,299	-	-	(80,733)	638,566	638,566
Student Success Completion Grant	2,592,526	-	(405,196)	(32,053)	2,155,277	2,155,277
Umoja	36,000	-	-	(36,000)	-	-
Veterans Resource Center	124,705	-	-	(122,251)	2,454	2,454
Total state programs	$ 38,399,032	$ 1,295,328	$ (428,805)	$ (10,694,861)	$ 28,570,694	$ 28,570,694

Categories	Reported** Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit*	71.85	-	71.85
2. Credit	948.39	-	948.39
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit*	-	-	-
2. Credit	1,806.12	-	1,806.12
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,199.43	-	9,199.43
(b) Daily Census Contact Hours	1,406.84	-	1,406.84
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	313.80	-	313.80
(b) Credit	414.76	-	414.76
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,865.06	-	1,865.06
(b) Daily Census Procedure Courses	921.87	-	921.87
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	16,948.12	-	16,948.12
Supplemental Information (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	374.95	-	374.95
2. Credit	134.12	-	134.12
CCFS-320 Addendum			
CDCP Noncredit FTES	77.05	-	77.05
Centers FTES			
1. Noncredit*	2,716.83	-	2,716.83
2. Credit	27.87	-	27.87

*Including Career Development and College Preparation (CDCP) FTES.
**Annual report revised as of October 30, 2020.

		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
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 19,318,913	$ -	$ 19,318,913	$ 19,318,913	$ -	$ 19,318,913
Other	1300	17,565,850	-	17,565,850	17,565,850	-	17,565,850
Total Instructional Salaries		36,884,763	-	36,884,763	36,884,763	-	36,884,763
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	9,198,633	-	9,198,633
Other	1400	-	-	-	734,768	-	734,768
Total Noninstructional Salaries		-	-	-	9,933,401	-	9,933,401
Total Academic Salaries		36,884,763	-	36,884,763	46,818,164	-	46,818,164
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	19,185,375	-	19,185,375
Other	2300	-	-	-	857,707	-	857,707
Total Noninstructional Salaries		-	-	-	20,043,082	-	20,043,082
Instructional Aides							
Regular Status	2200	2,113,395	-	2,113,395	2,113,395	-	2,113,395
Other	2400	1,103,809	-	1,103,809	1,103,809	-	1,103,809
Total Instructional Aides		3,217,204	-	3,217,204	3,217,204	-	3,217,204
Total Classified Salaries		3,217,204	-	3,217,204	23,260,286	-	23,260,286
Employee Benefits	3000	17,163,030	-	17,163,030	35,200,814	-	35,200,814
Supplies and Material	4000	-	-	-	1,145,652	-	1,145,652
Other Operating Expenses	5000	381,457	-	381,457	8,979,049	-	8,979,049
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		57,646,454	-	57,646,454	115,403,965	-	115,403,965

		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
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 53,865	$ -	$ 53,865
Student Health Services Above Amount Collected	6441	-	-	-	6,905	-	6,905
Student Transportation	6491	-	-	-	627,983	-	627,983
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	169,132	-	169,132
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		-	-	-	-	-	-

		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
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 3,172,551	$ -	$ 3,172,551
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	135,912	-	135,912
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	135,912	-	135,912
Total Capital Outlay		-	-	-	135,912	-	135,912
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	4,166,348	-	4,166,348
Total for ECS 84362, 50 Percent Law		$ 57,646,454	$ -	$ 57,646,454	$ 111,237,617	$ -	$ 111,237,617
Percent of CEE (Instructional Salary Cost/Total CEE)		51.82%		51.82%	100.00%		100.00%
50% of Current Expense of Education					$ 55,618,808		$ 55,618,808

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2020.

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				$ 8,250,520
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 8,250,520	$ -	$ -	$ 8,250,520
Total Expenditures for EPA		$ 8,250,520	$ -	$ -	$ 8,250,520
Revenues Less Expenditures					$ -

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings		
General Fund	$ 36,343,685	
Special Revenue Funds	5,280,053	
Capital Projects Funds	210,224,185	
Debt Service Funds	38,435,105	
Proprietary Funds	1,359,714	
Fiduciary Funds	14,754	
Total Fund Balance and Retained Earnings		$ 291,657,496
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	435,258,875	
Accumulated depreciation is	(126,615,596)	
Total Capital Assets		308,643,279
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.		(1,056,144)
Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred charges on refunding	22,218,806	
Deferred outflows of resources related OPEB	6,994,657	
Deferred outflows of resources related to pensions	35,417,221	
Total Deferred Outflows of Resources		64,630,684
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the District's funds. Deferred inflows of resources at year-end consist of:		
Deferred inflows of resources related to pensions		(5,747,178)
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:		
Bonds and notes payable	(363,710,000)	
Premium on bonds and notes	(30,567,318)	
Compensated absences	(2,157,912)	
Aggregate net OPEB liability	(6,124,509)	
Aggregate net pension liability	(126,081,553)	
		(528,641,292)
Total Net Position		$ 129,486,845

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, 2020.

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, 2020. 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. No federal financial assistance has been provided to a subrecipient. 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.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues from Statement of Revenues, Expenses, and Changes in Net Position:		$ 36,868,190
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(700)
Total Expenditures of Federal Awards		$ 36,867,490

Schedule of Expenditures of State Awards

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

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

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Government 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, 2020

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, the financial statements of the business-type activities and the aggregate remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2021.

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 may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Eide Bailly LLP

Rancho Cucamonga, California
March 1, 2021

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
We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each federal program is not modified with respect to these matters.

The District’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

The District’s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Eide Bailly LLP

Rancho Cucamonga, California
March 1, 2021

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 2019-2020 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, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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 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 and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

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

The District did not have any Proposition 39 Clean Energy Fund projects during the year; therefore, the compliance tests within this section were not applicable.

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

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

Unmodified Opinion
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-20 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
March 1, 2021

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	Yes
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:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion	84.425E
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: CARES Act Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L

Dollar threshold used to distinguish between type A and type B programs:	$1,106,025
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

None reported.

The following findings represent significant deficiencies of noncompliance and internal control over compliance that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

2020-001 Special Tests and Provisions

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007, 84.033, and 84.063
Direct funded by the U.S. Department of Education (ED)
Federal Agency: U.S. Department of Education (ED)

Criteria or Specific Requirement
Timing of Return of Title IV Funds – 34 CFR section 668.173(b):
Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic fund transfers initialed to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check if issued more than 45 days after the institution determined the student withdrew, or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition
Significant Deficiency – The District's portion of the Return to Title IV funds was not returned within the 45-day requirement for six students.

Questioned Costs
No questioned costs as the funds were all returned to the Department of Education.

Context
The District performed approximately 1,142 Return to Title IV calculations during the 2019-2020 year. There were six instances out of forty tested where the District's portion of the Return to Title IV funds were not returned within the 45-day requirement.

Cause
The District's internal controls did not operate effectively to ensure the college submitted funds in a timely manner, within the 45-day requirement.

Effect
The District did not comply with federal requirements associated with the Return to Title IV process.

Repeat Finding from Prior Year
No

Recommendation
It is recommended the District should establish effective controls to ensure the Return to Title IV funds occurs within 45 days from the date the institution determines the student withdrew from all classes.

View of Responsible Officials and Corrective Action Plan

The District continues to review and enhance the workflow and procedures of return to Title IV. The goal of these efforts has been to meet the compliance requirements of Return to Title IV. The District has developed a schedule with specific dates per term for when calculations will be completed, requests will be made to Accounting to return the District portion of funds within 45 days and provide ample timelines that can ensure funds get returned within compliance; the District has included the various department areas and staff that are involved in the process to ensure the schedule is consistent and that the funds are returned in the appropriate time frame.

2020-002 Reporting

Program Name: COVID-19: CARES Act Higher Education Emergency Relief Funds (HEERF), Student Portion
CFDA Number: 84.425E
Direct funded by the U.S. Department of Education (ED)
Federal Agency: U.S. Department of Education (ED)

Criteria or Specific Requirement
Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award allocation date, and update that information every 45 days thereafter.

Condition
Significant Deficiency - During our testing over reporting for the student aid portion at the District, we noted that the report required to be publicly available 30 days following the award becoming available was late by 8 days and therefore, the District did not meet the timeliness requirement.

Questioned Costs
None reported

Context
The District has one college that was required to report student grant metrics and other data within 30 days of their award allocation date. The report was reviewed for compliance, noting it was not submitted in a timely manner.

Cause
The District did not have an effective procedure in place to ensure the initial report was filed timely.

Effect
The District did not comply with the federal reporting requirements.

Repeat Finding from Prior Year
No

Recommendation
The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.

View of Responsible Officials and Corrective Action Plan

The District did not intentionally miss the deadline and has complied with the reporting requirements since the deadlines has been made clear. When the requirement to post certain information on our website no later than 30 days after the award allocation date, it was not made clear at the time of release, when the 30 day time clock started. This was a new grant with new requirements and the timing of the report has already changed and District personnel have been made aware of the reporting compliance requirements. These deadlines have been calendared to ensure compliance with the timeliness requirement.

None reported.

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

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.