Financial Statements
June 30, 2024

Chaffey Community College District

EideBailly®

Independent Auditor's Report

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Chaffey Community College District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Chaffey Community College District as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18 and other required supplementary schedules as listed in the table of contents on pages 62 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of content are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2024 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
December 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

The following management's discussion and analysis provides an overview of the financial position and activities of the District's Financial Report as of and for the year ended June 30, 2024. The report includes three basic financial statements that provide information on the District as a whole: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

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

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

Enrollment Highlights

Due in part to the COVID-19 pandemic, the District had experienced a significant decline in Full Time Equivalent Students (FTES) as shown in the table below. Under *Education Code* Section 58146, the State provided an Emergency Conditions Allowance (ECA), which allowed the District to be funded at the 2019-20 level of 16,948 FTES for fiscal years 2020-21, 2021-22 and 2022-23. The District is no longer under the emergency conditions allowance for the 2023-24 and future SCFF FTES funding. As we move away from this allowance, the three-year averaging provisions presents its complexity when estimating the SCFF formula. Increasing our enrollment to pre-pandemic levels and effectively applying the Summer shift to our reported FTES has been our budget strategy for fiscal years 2023-24 and 2024-25. As a result of implementing our task force's enrollment strategies and shifting Summer 2024 contact hours, the District's reported FTES in 2023-24 was 16,411, resulting in a funded FTES of 17,429. In addition, the reported FTES for incarcerated students and special admit students has increased 35% and 25%, respectively. During 2023-24, factored FTES increased 2,427 or 14.8% (1,280 academic year FTES plus 1,147 Summer 2024 FTES shifted from 2024-25).

A history of reported resident FTES is provided below.

	Credit	Special Admit Credit	Incarcerated Credit	Career Development & College Prep	Non-Credit	Total FTES
2019-20	16,133	313	116	78	308	16,948
2020-21	10,317	451	61	14	70	10,914
2021-22	11,945	598	71	170	93	12,877
2022-23	12,236	1,200	57	218	273	13,984
2023-24	14,484	1,483	104	107	234	16,411

The projected unfactored FTES for 2024-25 is 16,031 (17,178 projected academic year FTES minus 1,147 Summer 2024 FTES shifted to 2023-24).

The economic position of the District is closely tied to the State of California, as State apportionments allocated to the District in 2023-24 represented over 80% of the Unrestricted General Fund revenues.

To maximize student success and stabilize funding, in 2018-19 the California Community Colleges' Chancellor's Office implemented a new Student Centered Funding Formula (SCFF) that will not only support access (FTES enrollment), but also supports student equity and student success through additional allocations. The implementation of the SCFF resulted in more earned District revenue since the District has a stable FTES base, a high number of students that qualify for financial aid (student equity) and good outcomes for the student success factors. In 2019-20, the SCFF rates were memorialized in statute. The statute specifies that rates will increase by the cost-of-living adjustments (COLA) as appropriated in subsequent budget acts. The District's Cost of Living Adjustment (COLA), which is applied to all the funding rates, was 8.22%.

FINANCIAL HIGHLIGHTS

- There are three components to the SCFF. The Base Allocation (70% of funding) is driven by enrollment and the size of colleges and number of centers. The actual factored FTES per the 2023-24 apportionment attendance report was 16,411. This is an increase of 2,427 (1,280 increase and 1,147 Summer shift) FTES from the prior year actual FTES of 13,984. The Supplemental Allocation (20% of funding) includes AB540 Students, Pell Grant recipients and Promise Grant recipient metrics. Lastly, the Success Allocation (10% of funding) includes metrics for Associate Degrees for Transfer, Associate Degrees, Baccalaureate Degrees, Credit Certificates, Transfer Level Math and English, Transfer to a Four-Year University, Nine or More CTE Units, and Regional Living Wage.

- At the close of the 2023-24 fiscal year, the unrestricted General Fund reserve met the California Community Colleges Chancellor's Office recommendation to maintain a minimum of two months unrestricted expenditures. By maintaining this reserve, the District will have funds available for unanticipated expenditures and budget uncertainties.

- Chaffey College continues to operate as a fiscally independent district and deals directly with the San Bernardino County Treasurer's and Auditor-Controller's Offices. Fiscal independence provides the District with greater internal controls and enables the District to meet their financial obligations by providing timely services to the outside business community, students, and employees.

- During the 2014-2015 fiscal year, the District established a Governmental Accounting Standards Board (GASB) Statement No. 74 irrevocable trust with Futuris Public Entity Investment Trust to fund other postemployment benefit (OPEB) obligations. The investment balance in this trust as of June 30, 2024 was $19.8 million. The District will budget annual contributions to continue funding the trust in an effort to meet future obligations.

- The District implemented the provisions of GASB Statement No. 68*, Accounting and Financial Reporting for Pensions, by State and Local Governmental Employers*, for the year ended June 30, 2015. GASB Statement No. 68 is a change in accounting principles that establishes standards for measuring and recognizing future retirement liabilities. As a result of implementing GASB Statement No. 68, the District's aggregate net pension liability as of June 30, 2024 and 2023 was $125.6 million and $118.4 million, respectively. The change in aggregate net pension liability is contributed to the measurement date captured the unprecedented investment results from the unfavorable stock market activity that occurred during that period.

- The state pension plans are currently underfunded and employer rates for PERS are anticipated to continue to increase over the next several years. The STRS rates are currently set at the statutory maximum of 19.1%. During the 2016-17 fiscal year, the District established an irrevocable pension stabilization trust with California Public Entity Pension Trust to assist in stabilizing the District's funding for increasing future State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) pension liabilities. The investment balance in this trust as of June 30, 2024 was $40.1 million. Additional deposits will continue each year in order to maintain the fund and defray the increases for the District's budgeted benefit expenses.

- In 2002, District residents approved Measure L, a $229.83 million general obligation bond that has transformed the Chaffey campuses. In the years since that vote, the College has fulfilled its promise to provide the community with state-of-the-art learning facilities. As of June 30, 2024, the total available funds from proceeds and interest earnings amount to approximately $251.7 million, of which $250.6 million has been committed (expensed or encumbered) and $1.1 million is allocated or available for projects.

- In 2018, a general obligation bond proposition for $700 million (Measure P) was approved by the voters of the District with the first $200 million issued in September 2019 to fund the first phase of projects over the next 36-48 months. Measure P provides the District with funds to add an additional campus, construct new buildings, and make improvements to its infrastructure. Funds continue to be used to build new classrooms and rehabilitate existing classrooms and labs. Additionally, improvements are being made to Chaffey's electrical capacity and wiring for technology. Chaffey has also expanded opportunities for job training and dual enrollment for high school students, which aims to promote and enhance economic and job development. Funds from the first issuance of Measure P are also now contributing to projects as described in the Vision 2025 Facilities Master Plan. Consistent with the Measure P projects plan, the purchase of approximately 19 acres of land in the city of Ontario was completed during the 2021-22 fiscal year for the development of an Ontario Campus. For the period of 2023-24, Measure P has on-going construction of one instructional building on the Chino campus and the Library Learning Commons building on the Rancho Cucamonga campus. Other project plans are in the development stages for both bond funds. As of June 30, 2024, the total available funds from proceeds, unissued proceeds and interest earnings amount to approximately $704.4 million, of which $151.0 million has been committed (expensed or encumbered) and $555.4 million is allocated or available for projects. On December 17, 2024, the District issued $30.0 million in in tax-exempt bonds (Series B-1) and $145.0 million in taxable bonds (Series B-2). In addition, the District advanced refunded the remaining debt of Series A from $182.0 million non-taxable to $181.23 million taxable bonds.

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

Condensed financial information is as follows:

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

Table 1

	2024	2023	Change
Assets			
Cash and investments	$ 384,454,982	$ 405,330,222	$ (20,875,240)
Receivables, net	25,826,304	38,247,921	(12,421,617)
Other current assets	478,721	473,629	5,092
Net OPEB asset	2,076,184	-	2,076,184
Capital assets, net	399,495,047	334,100,775	65,394,272
Total assets	812,331,238	778,152,547	34,178,691
Deferred Outflows of Resources	62,621,626	61,517,973	1,103,653
Liabilities			
Accounts payable and accrued liabilities	84,759,363	104,987,207	(20,227,844)
Current portion of long-term liabilities	15,650,123	14,745,975	904,148
Noncurrent portion of long-term liabilities	437,749,197	444,728,852	(6,979,655)
Total liabilities	538,158,683	564,462,034	(26,303,351)
Deferred Inflows of Resources	11,781,371	15,538,868	(3,757,497)
Net Position			
Net investment in capital assets	215,726,444	174,242,753	41,483,691
Restricted	116,390,289	98,028,051	18,362,238
Unrestricted deficit	(7,103,923)	(12,601,186)	5,497,263
Total net position	$ 325,012,810	$ 259,669,618	$ 65,343,192

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

Total assets increased approximately $34.2 million, a percentage increase of 4.4%. The major changes affecting total assets are listed below:

- Investments decreased $18.4 million (-5.0%) due to contributions to the OPEB Trust and PST Trust and decrease in accounts payable.

- Accounts receivable decreased $17.0 million primarily due to the timing of when funds were received for apportionment and HEERF.

- Capital assets, net of depreciation and amortization, are the historical value (original cost) of land, buildings, construction in progress, equipment, and subscription-based software less accumulated depreciation and amortization. Gross capital assets increased $77.2 million due to the projects funded by the Measure L and P bond programs and capital outlay. In addition, the right-to-use subscription IT assets increased $5.3 million due to new contracts and the renewal of our enterprise resource planning (ERP) system subscription. Current year depreciation/amortization expense was $12.2 million for a net increase in our capital asset balance of $65.4 million, net of disposals. Note 6 to the financial statements provides additional information on capital and right-to-use subscription IT assets.

In addition to assets, the District reported a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Total liabilities decreased by approximately $26.3 million, a percentage decrease of 4.7%. The major changes affecting total liabilities are listed below:

- Unearned revenue decreased $3.6 million (-6.1%). One time and new grants related to Learning-Aligned Employment Program (LAEP), State Fiscal Recovery Fund (SFRF) and COVID-19 Recovery Block Grant amounting to $17.0 million were received in 2022-23, with $6.7 million disbursed to students in 2023-24. In addition, Education Protection Act (EPA) funds continue to be deferred in the amounts of $12.0 million for 2022-23 and $7.5 million in 2023-24, respectively.

- Long-term liabilities consist primarily of general obligation and lease revenue bonds, net OPEB liability, and the aggregate net pension liability. At June 30, 2024, the District had $319.8 million in debt outstanding due to the issuance of bonds and notes payable. Note 7 to the financial statements provides additional information on long-term liabilities. At June 30, 2024, the District's aggregate net pension liability was $125.6 million. Note 10 to the financial statements provides additional information on the District's aggregate net pension liability.

In addition to liabilities, the District reported a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance Reserves

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

The reserves are established as follows:

	2022-2023 Actual	2023-2024 Actual	2024-2025 Adopted Budget
Board Designated Reserve	$25,231,480	$28,054,562	$28,637,881
Board Designated Project Reserves	18,040,000	12,540,000	12,540,000
Total Unrestricted Fund Reserves	$43,271,480	$40,594,562	$41,177,881

Statement of Revenues, Expenses, and Changes in Net Position

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

Table 2

	2024	2023	Change
Operating Revenues			
Tuition and fees, net	$ 9,690,639	$ 6,642,880	$ 3,047,759
Grants and contracts, noncapital	53,085,222	55,659,790	(2,574,568)
Auxiliary sales and charges	2,876,547	4,667,335	(1,790,788)
Total operating revenues	65,652,408	66,970,005	(1,317,597)
Operating Expenses			
Salaries and benefits	145,790,161	129,238,430	16,551,731
Supplies, services, equipment, and maintenance	27,852,396	29,689,331	(1,836,935)
Student financial aid	46,060,318	42,684,051	3,376,267
Depreciation and amortization	12,175,937	11,701,582	474,355
Total operating expenses	231,878,812	213,313,394	18,565,418
Operating loss	(166,226,404)	(146,343,389)	(19,883,015)
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	83,429,242	72,773,554	10,655,688
Property taxes	79,706,512	76,569,147	3,137,365
Student financial aid grants	38,511,839	29,510,854	9,000,985
State revenues	6,356,354	6,338,454	17,900
Net interest expense	10,973,256	(3,361,058)	14,334,314
Other nonoperating revenues	4,136,469	2,461,919	1,674,550
Total nonoperating revenue (expenses)	223,113,672	184,292,870	38,820,802
Other Revenues (Losses)			
State and local capital income and losses	8,455,924	11,393,353	(2,937,429)
Change in net position	$ 65,343,192	$ 49,342,834	$ 16,000,358

Operating Revenues

Total operating revenues decreased by approximately $1.3 million (2.0%). Items of significance affecting the changes include:

- Federal revenues decreased $16.7 million (-73.91%). This is primarily due to the decrease in the COVID-19 Higher Education Emergency Relief Funds (HEERF).

Operating Expenses

Total operating expenses increased approximately $18.6 million (8.7%). Items of significance affecting the changes include:

- Salaries and benefits increased $16.6 million (12.8%), and make up 62.9% of the District's total operating expenses. The increase is due to salary schedule increases, changes in the state pension plans, and the OPEB deferred inflows and outflows of resources.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) increased by $38.8 million (21.1%). Items of significance affecting the changes include:

- Investment income increased $13.1 million and investment income (loss) on capital asset-related debt, net increased $858.0 thousand as a result of the favorable market conditions for the trust funds and higher interest rates.

Other Revenues

Other revenues decreased by $2.9 million (25.8%). Items of significance affecting the changes include:

- State revenues, capital decreased $3.5 million as a result of an increase Physical Plant and Instructional Support received through apportionment.

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

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

Table 3

	Salaries and Employee Benefits	Supplies, Materials, and Other Expenses and Services	Student Financial Aid	Depreciation and Amortization	Total
Instructional activities	$ 71,521,339	$ 1,706,793	$ -	$ -	$ 73,228,132
Academic support	9,074,921	186,087	-	-	9,261,008
Student services	25,405,432	953,579	-	-	26,359,011
Plant operations and maintenance	5,182,141	1,621,063	-	-	6,803,204
Instructional support services	29,283,921	4,136,843	-	-	33,420,764
Community services and economic development	2,585,008	489,405	-	-	3,074,413
Ancillary services and auxiliary operations	2,397,626	890,826	-	-	3,288,452
Student aid	-	-	46,060,318	-	46,060,318
Physical property and related acquisitions	339,773	17,867,800	-	-	18,207,573
Unallocated depreciation and amortization	-	-	-	12,175,937	12,175,937
Total	$ 145,790,161	$ 27,852,396	$ 46,060,318	$ 12,175,937	$ 231,878,812

Statement of Cash Flows

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

Table 4

	2024	2023	Change
Net Cash Flows from			
Operating activities	$(169,917,391)	$(102,687,809)	$ (67,229,582)
Noncapital financing activities	185,226,509	162,429,366	22,797,143
Capital financing activities	(54,564,752)	(14,445,759)	(40,118,993)
Investing activities	(19,988,781)	(12,959,173)	(7,029,608)
Net Increase in Cash	(59,244,415)	32,336,625	(91,581,040)
Cash, Beginning of Year	377,666,014	345,329,389	32,336,625
Cash, End of Year	$ 318,421,599	$ 377,666,014	$ (59,244,415)

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

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

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The 2024-25 Chaffey College unrestricted general fund budget includes $169,303,305 in unrestricted general fund income and $171,827,285 in unrestricted general fund expenditures. The District's budget includes an 1.07% COLA, which is applied to the state Chancellor's Office Student Centered Funding Formula.

The annual budget, which includes the general and other funds, is an important planning document approved by the Governing Board each year. The proposed adopted budget supports the policies approved by the Governing Board, including the Board requirement to maintain at least a minimum of two months of expenditures in the unrestricted general fund reserve. The 2024-25 State Budget reflects a significant revenue shortfalls related to declines in the technology sector and a delay in tax payments. To protect the district against economic uncertainties, prudent fiscal measures have been implemented, including projecting and planning for future liabilities, such as PERS and STRS increases and other postemployment benefits (OPEB).

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

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

Current Year Summary

The District's total Full-Time Equivalent Students (FTES) in 2023-24 was 16,411 and was funded at 17,429. The unrestricted general fund resulted in a surplus of $3,572,313 for 2023-24 and anticipates a deficit of $2,523,980 for 2024-25. The 2024-25 budget focuses on the District continuing to serve our student needs; integrating all board approved collective bargaining agreements; providing sufficient funding for technology infrastructure; and continuing to fund reserves, capital projects, and the Pension Stability Trust. The District maintains the Chancellor's Office's Fiscal Standards and Accountability Unit recommended reserves of at least two months of regular operating expenditures or 16.67% (2/12), which is in line with the recommendations of the Government Finance Officers Association (GFOA).

2024-25 State Overview

The Governor signed the 2024-25 Budget Act on June 26, 2024, and revenue has fallen significantly short of projections, resulting in an estimated $45 billion state deficit. The budget deficit is intricately linked to the stock market, particularly in the technology sector, which plays a pivotal role in the state economy. Interest rate increases and the delay of the state income tax filing deadline to October has contributed to the uncertainty of revenue projections. The state's effort to build reserves over recent fiscal years will help mitigate the impact of the deficit, along with other strategies and mechanisms to close the projected shortfall, including funding delays, reductions of prior year budgets, and internal fund shifts and borrowing. Community College resources include both ongoing and one-time funding. The ongoing funding includes a base increase for the Student-Centered Funding Formula (SCFF) with an 1.07% COLA which has also been applied to many of the categorical programs. One-time funding in the enacted budgeted is limited: it included funding for two projects to support the system's Vision 2023 priorities, the second year of the LGBTQ+ pilot program and enhancement to financial aid administration to help colleges support students in the context of FAFSA delays.

Student-Centered Funding Formula (SCFF)

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

The 2024-25 enacted Budget, including COLA, applied the SCFF rates as follows:

Allocation	Funding Rates
Credit FTES	$5,294
Incarcerated Credit	$7,425
Special Admit Credit	$7,425
Career Development College Preparation (CDCP)	$7,425
Noncredit	$4,465
Supplemental Point Value	$1,252
Student Success Main Point Value	$ 730
Student Success Equity Point Value	$ 186

Challenges

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

Strategies

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

Legislative Update

On November 20, 2024, the Legislative Analyst's Office issued the 2025-26 Budget: California Fiscal Outlook. In the 2024-25 budget process, the Legislature not only addressed the budget problem for that fiscal year, but also made proactive decisions to address the anticipated budget problem for 2025-26. Although revenues are running ahead of budget act assumptions, those improvements are roughly offset by spending increases across the budget. This means the budget is roughly balanced this year. Despite softness in the state's labor market and consumer spending, earnings of high-income Californians have surged in recent months. Income tax collections have seen a similar bounce. This recovery in income tax revenues is being driven by the recent stock market rally, which calls into question its sustainability in the absence of improvements to the state's broader economy. While the budget picture is fair for the upcoming year, our outlook suggests that the state faces double-digit operating deficits in the years to come. While these out-year estimates are highly uncertain, this is an indication that the Legislature might need to address deficits in the future, for example, by reducing spending or increasing taxes. This communication may affect our 2024-25 adopted budget and will be incorporated into our subsequent budget planning.

District Fiduciary Responsibility

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

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

CONTACTING THE DISTRICT

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

Assets	
Cash and cash equivalents	$ 10,705,955
Investments	373,749,027
Accounts receivable	19,042,210
Student receivables, net	6,784,094
Inventories	478,721
Net other postemployment benefits (OPEB) asset	2,076,184
Capital assets not being depreciated or amortized	180,945,319
Capital assets, net of accumulated depreciation and amortization	218,549,728
Total assets	812,331,238
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	14,342,946
Deferred outflows of resources related to OPEB	4,152,042
Deferred outflows of resources related to pensions	44,126,638
Total deferred outflows of resources	62,621,626
Liabilities	
Accounts payable	28,140,087
Accrued interest payable	878,263
Unearned revenue	55,741,013
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	15,650,123
Long-term liabilities other than OPEB and pensions, due in more than one year	311,849,246
Net OPEB liability - Medicare Premium Payment (MPP) Program	349,216
Aggregate net pension liability	125,550,735
Total liabilities	538,158,683
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	2,432,540
Deferred inflows of resources related to pensions	9,348,831
Total deferred inflows of resources	11,781,371
Net Position	
Net investment in capital assets	215,726,444
Restricted for	
Debt service	22,749,544
Capital projects	30,588,960
Educational programs	7,740,820
Other activities	55,310,965
Unrestricted deficit	(7,103,923)
Total net position	$ 325,012,810

Operating Revenues	
Tuition and fees	$ 22,058,721
Less: Scholarship discounts and allowances	(12,368,082)
Net tuition and fees	9,690,639
Grants and contracts, noncapital	
Federal	5,872,022
State	46,392,978
Local	820,222
Total grants and contracts, noncapital	53,085,222
Auxiliary enterprise sales and charges	
Bookstore	2,876,547
Total operating revenues	65,652,408
Operating Expenses	
Salaries	103,487,738
Employee benefits	42,302,423
Supplies, materials, and other operating expenses and services	27,629,858
Student financial aid	46,060,318
Equipment, maintenance, and repairs	222,538
Depreciation and amortization	12,175,937
Total operating expenses	231,878,812
Operating Loss	(166,226,404)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	83,429,242
Local property taxes, levied for general purposes	61,293,117
Taxes levied for other specific purposes	18,413,395
Federal and State financial aid grants	38,511,839
State taxes and other revenues	6,356,354
Investment income, net	18,859,454
Interest expense on capital related debt	(9,385,019)
Investment income on capital asset-related debt, net	1,498,821
Other nonoperating revenue	4,136,469
Total nonoperating revenues (expenses)	223,113,672
Income Before Other Revenues (Losses)	56,887,268
Other Revenues (Losses)	
State revenues, capital	3,728,918
Local revenues, capital	4,782,740
Loss on disposal of capital assets	(55,734)
Total other revenues (losses)	8,455,924
Change In Net Position	65,343,192
Net Position, Beginning of Year	259,669,618
Net Position, End of Year	$ 325,012,810

Operating Activities	
Tuition and fees	$ 7,617,468
Federal, state, and local grants and contracts, noncapital	42,521,204
Auxiliary sales	2,876,547
Payments to or on behalf of employees	(146,806,356)
Payments to vendors for supplies and services	(30,065,936)
Payments to students for scholarships and grants	(46,060,318)
Net Cash Flows From Operating Activities	(169,917,391)
Noncapital Financing Activities	
State apportionments	76,548,176
Federal and state financial aid grants	38,511,839
Property taxes - nondebt related	61,248,771
State taxes and other apportionments	6,657,567
Other nonoperating	2,260,156
Net Cash Flows From Noncapital Financing Activities	185,226,509
Capital Financing Activities	
Purchase of capital assets	(58,619,547)
State revenue, capital	5,254,796
Local revenue, capital	4,782,740
Property taxes - related to capital debt	18,413,395
Principal paid on capital debt	(16,038,870)
Interest paid on capital debt	(9,856,087)
Interest received on capital asset-related debt	1,498,821
Net Cash Flows From Capital Financing Activities	(54,564,752)
Investing Activities	
Purchase of investments	(38,369,175)
Change in fair value of cash in county treasury	4,580,590
Interest received from investments	13,799,804
Net Cash Flows From Investing Activities	(19,988,781)
Change In Cash and Cash Equivalents	(59,244,415)
Cash and Cash Equivalents, Beginning of Year	377,666,014
Cash and Cash Equivalents, End of Year	$ 318,421,599

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (166,226,404)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	12,175,937
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	8,967,279
Student receivables, net	(4,609,337)
Inventories	(5,092)
Net OPEB asset	(2,076,184)
Deferred outflows of resources related to OPEB	2,893,815
Deferred outflows of resources related to pensions	(5,966,433)
Accounts payable	(7,228,891)
Unearned revenue	(10,949,871)
Compensated absences	96,399
Aggregate net OPEB liability	(384,018)
Aggregate net pension liability	7,152,906
Deferred inflows of resources related to OPEB	138,724
Deferred inflows of resources related to pensions	(3,896,221)
Total adjustments	(3,690,987)
Net Cash Flows From Operating Activities	$ (169,917,391)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 10,705,955
Cash in county treasury	307,715,644
Total cash and cash equivalents	$ 318,421,599
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	$ 1,968,965
Amortization of debt premiums	$ 2,397,114
Recognition of subscription-based IT arrangement liabilities arising from obtaining right-to-use subscription IT assets	$ 5,495,190

	Retiree OPEB Trust
Assets	
Investments	$ 19,796,851
Net Position	
Restricted for postemployment benefits other than pensions	$ 19,796,851

	Retiree OPEB Trust
Additions	
District contributions	$ 731,447
Interest and investment income	688,312
Net realized and unrealized gain	1,396,769
Total additions	2,816,528
Deductions	
Employee benefits	731,447
Administrative expenses	116,543
Total deductions	847,990
Change in Net Position	1,968,538
Net Position - Beginning of Year	17,828,313
Net Position - End of Year	$ 19,796,851

Note 1 - Organization

Financial Reporting Entity

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

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the GASB. The District has evaluated the Chaffey Community College Foundation, Inc. and has determined the relationship does not meet the criteria of a component unit and has not included the financial information in this report.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

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

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. At June 30, 2024, the allowance was estimated at $122,650.

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, Depreciation, and Amortization

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 for machinery and equipment, and an estimated useful life greater than one year. For buildings and improvements, the District uses $150,000 as an initial unit capitalization threshold. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

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

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2024.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt 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. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

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

Subscription-based IT Arrangements

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and redevelopment agreement payable, subscription-based IT arrangements, compensated absences, net OPEB liability, and aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $116,390,289 of restricted net position, and the fiduciary fund financial statements report $19,796,851 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

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

- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

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

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

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

State Apportionments

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

Property Taxes

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

The voters of the District passed General Obligation Bond Measures in March 2002 and November 2018 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond Measures, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

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

Adoption of New Accounting Standard

Implementation of GASB Statement No. 100

As of July 1, 2023, the District adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Note 3 - Deposits and Investments

Policies and Practices

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

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2024, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 10,657,955	$ -
Cash in revolving	48,000	-
Investments	373,749,027	19,796,851
Total deposits and investments	$ 384,454,982	$ 19,796,851

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Investment Pool was rated by Fitch Ratings and the mutual funds – governmental securities was rated by S&P Global Ratings as of June 30, 2024.

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	$ 59,922,283	No maturity	Not rated
Mutual funds - governmental securities	25,907,951	38	AAAm
San Bernardino County Investment Pool	307,715,644	724	AAAf/S1
Total	$ 393,545,878		

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2024, the District's bank balance of approximately $10.5 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, 2024, the District's investment balance of approximately $84.8 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, 2024:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	$ 59,922,283	$ 59,922,283	$ -	$ -
Mutual funds - governmental securities	25,907,951	25,907,951	-	-
Total	$ 85,830,234	$ 85,830,234	$ -	$ -

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

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2024, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 3,638,934
State Government	
Apportionment	6,710,276
Categorical aid	1,669,169
Lottery	769,182
Local Sources	
Interest	2,791,672
Property taxes	1,238,148
Other local sources	2,224,829
Total	$ 19,042,210
Student Receivables	$ 6,906,744
Less: allowance for bad debt	(122,650)
Student receivables, net	$ 6,784,094

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2024, was as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
Capital Assets Not Being Depreciated or Amortized				
Land	$ 86,047,634	$ -	$ -	$ 86,047,634
Construction in progress	27,130,108	70,294,485	(2,526,908)	94,897,685
Total capital assets not being depreciated or amortized	113,177,742	70,294,485	(2,526,908)	180,945,319
Capital Assets Being Depreciated and Amortized				
Buildings and improvements	324,328,497	2,526,908	-	326,855,405
Machinery and equipment	50,314,643	1,836,268	(223,221)	51,927,690
Right-to-use subscription IT assets	2,665,396	5,495,190	(233,890)	7,926,696
Total capital assets being depreciated or amortized	377,308,536	9,858,366	(457,111)	386,709,791
Less Accumulated Depreciation and Amortization				
Buildings and improvements	(128,398,012)	(7,439,823)	-	(135,837,835)
Machinery and equipment	(27,250,014)	(2,842,083)	215,166	(29,876,931)
Right-to-use subscription IT assets	(737,477)	(1,894,031)	186,211	(2,445,297)
Total accumulated depreciation and amortization	(156,385,503)	(12,175,937)	401,377	(168,160,063)
Total capital assets, net	$ 334,100,775	$ 67,976,914	$ (2,582,642)	$ 399,495,047

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

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2024 consisted of the following:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Due in One Year
General obligation bonds	$ 290,030,000	$ -	$ (11,870,000)	$ 278,160,000	$ 11,810,000
Bond premium	19,370,862	-	(2,397,114)	16,973,748	-
Lease revenue refunding bonds, 2017	12,150,000	-	(1,135,000)	11,015,000	1,185,000
Lease revenue bonds, Series 2017	13,665,000	-	(845,000)	12,820,000	880,000
Redevelopment agreement payable	940,000	-	(140,000)	800,000	140,000
Subscription-based IT arrangements	1,844,668	5,495,190	(2,048,870)	5,290,988	1,635,123
Compensated absences	2,343,234	96,399	-	2,439,633	-
Total	$ 340,343,764	$ 5,591,589	$ (18,435,984)	$ 327,499,369	$ 15,650,123

Description of Long-Term Liabilities

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

General Obligation Bonds

2012 General Obligation Bonds, Series D

In August 2012, the District issued the 2012 General Obligation Bonds, Series D, in the amount of $12,130,000. The bonds mature beginning on June 1, 2026 through June 1, 2030, with interest rates ranging from 2.80% to 3.63%. The unamortized premium balance at June 30, 2024, was $563,770. At June 30, 2024, $1,730,000 was outstanding.

2014 General Obligation Refunding Bonds

In September 2014, the District issued $84,675,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease all remaining outstanding 2005 General Obligation Bonds, Series B, and a portion of the 2007 General Obligation Bonds, Series C, and pay the associated costs with the issuance of the bonds. The refunding defeased $86,005,000 of the old debt. The bonds mature beginning on June 1, 2015 through June 1, 2026. Interest rates range from 1.00% to 5.00%. At June 30, 2024, the premium was fully amortized. The outstanding principal balance of the bonds at June 30, 2024, was $2,440,000.

2019 General Obligation Bonds, Series A

In September 2019, the District issued the 2019 General Obligation Bonds, Series A, in the amount of $200,000,000. The bonds mature beginning on June 1, 2020 through June 1, 2048, with interest rates ranging from 1.61% to 5.00%. The unamortized premium balance at June 30, 2024, was $16,409,978. At June 30, 2024, $182,000,000 was outstanding.

2019 General Obligation Refunding Bonds

In September 2019, the District issued $50,425,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease portions of the 2012 General Obligation Bonds, Series D; 2012 General Obligation Bonds, Series E; and 2012 General Obligation Refunding Bonds; and pay the associated costs with the issuance of the bonds. The refunding defeased $45,145,000 of the old debt. The bonds mature beginning on June 1, 2020 through June 1, 2036. Interest rates range from 1.62% to 2.90%. The outstanding principal balance of the bonds at June 30, 2024, was $38,070,000.

2020 General Obligation Refunding Bonds

In April 2020, the District issued $59,955,000 of General Obligation Refunding Bonds. The bonds were issued to advance refund and defease portions of the 2014 General Obligation Refunding Bonds and pay the associated costs with the issuance of the bonds. The refunding defeased $50,850,000 of the old debt. The bonds mature beginning on June 1, 2020 through June 1, 2032. Interest rates range from 0.90% to 2.02%. The outstanding principal balance of the bonds at June 30, 2024, was $53,920,000.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2023	Issued	Redeemed	Bonds Outstanding June 30, 2024
2012 Series D	2030	2.80-3.63%	$ 12,130,000	$ 1,730,000	$ -	$ -	$ 1,730,000
2014 Refunding	2026	1.00-5.00%	84,675,000	7,495,000	-	(5,055,000)	2,440,000
2019 Series A	2048	1.61-5.00%	200,000,000	182,000,000	-	-	182,000,000
2019 Refunding	2036	1.62-2.90%	50,425,000	43,535,000	-	(5,465,000)	38,070,000
2020 Refunding	2032	0.90-2.02%	59,955,000	55,270,000	-	(1,350,000)	53,920,000
				$ 290,030,000	$ -	$ (11,870,000)	$ 278,160,000

Debt Service Requirements to Maturity

General Obligation Bonds

The general obligation bonds mature through 2048 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2025	$ 11,810,000	$ 8,515,392	$ 20,325,392
2026	12,345,000	8,307,303	20,652,303
2027	12,940,000	8,070,971	21,010,971
2028	13,620,000	7,839,414	21,459,414
2029	14,100,000	7,580,358	21,680,358
2030-2034	46,270,000	33,842,984	80,112,984
2035-2039	39,105,000	28,769,271	67,874,271
2040-2044	59,510,000	20,819,600	80,329,600
2045-2048	68,460,000	7,931,750	76,391,750
Total	$ 278,160,000	$ 131,677,043	$ 409,837,043

Lease Revenue Bonds

During the 2018 fiscal year, the District issued the 2017 Lease Revenue Refunding Bonds. The District received proceeds in the amount of $14,470,000 to refund the remaining outstanding balances of the 2006 and 2008 Series Lease Revenue Bonds. The bonds mature beginning on May 1, 2018 through May 1, 2032, with interest rates of 2.23% and 4.24%. At June 30, 2024, $11,015,000 was outstanding.

During the 2018 fiscal year, the District issued the 2017 Lease Revenue Bonds. The District received proceeds in the amount of $18,300,000 to fund the construction of a solar panel covered parking lot. The bonds mature beginning on May 1, 2018 through May 1, 2036, with an interest rate of 4.25%. At June 30, 2024, $12,820,000 was outstanding.

The lease revenue bonds mature through 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2025	$ 2,065,000	$ 990,028	$ 3,055,028
2026	2,145,000	901,536	3,046,536
2027	2,230,000	809,754	3,039,754
2028	2,320,000	707,777	3,027,777
2029	2,415,000	614,625	3,029,625
2030-2034	10,200,000	1,542,150	11,742,150
2035-2036	2,460,000	130,369	2,590,369
Total	$ 23,835,000	$ 5,696,239	$ 29,531,239

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, 2024, the outstanding balance was $800,000.

Principal is due through 2030 as follows:

Fiscal Year	Principal
2025	$ 140,000
2026	140,000
2027	140,000
2028	140,000
2029	140,000
2030	100,000
Total	$ 800,000

Subscriptions-Based IT Arrangements (SBITAs)

The District entered into a SBITAs for the use of various software. At June 30, 2024, the District has recognized a right-to-use subscriptions IT asset, net of accumulated amortization of $5,481,399 and a SBITA liability of $5,290,988 related to these agreements. Under the terms of the SBITAs, the District makes payments ranging from $2,500 to $1,101,334 annually, which amounts to total principal and interest costs of $2,305,388 for the year ending June 30, 2024. During the fiscal year, the District recorded $1,894,031 in amortization expense and $256,518 in interest expense for SBITAs. The District used discount rates ranging from 3.0% to 5.5% based on the incremental borrowing rate for financing over a similar time period.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 1,635,123	$ 206,365	$ 1,841,488
2026	1,468,246	130,361	1,598,607
2027	1,065,179	65,075	1,130,254
2028	1,122,440	5,220	1,127,660
Total	$ 5,290,988	$ 407,021	$ 5,698,009

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

For the fiscal year ended June 30, 2024, the District reported an aggregate net OPEB liability/(asset), deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ (2,076,184)	$ 4,152,042	$ 2,432,540	$ 593,723
Medicare Premium Payment (MPP) Program	349,216	-	-	(21,386)
Total	$ (1,726,968)	$ 4,152,042	$ 2,432,540	$ 572,337

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, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	38
Active employees	561
Total	599

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. Voluntary contributions are based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by management and the District's governing board. For the measurement period ending June 30, 2023, the District contributed $2,826,064 to the Plan, of which $739,201 was used for current premiums, $2,000,000 was used to fund the OPEB irrevocable trust, and $86,863 reflected the impact of the implicit rate subsidy.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The following was the District’s adopted asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation
Fixed income	50%
Equities	50%

Rate of Return

For the year ended June 30, 2023, the annual money-weighed rate of return on investments, net of investment expense, was 7.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the District

The District's net OPEB asset of $2,076,184 was measured as of June 30, 2023, 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 asset of the District at June 30, 2023, were as follows:

Total OPEB liability	$ 15,752,129
Plan fiduciary net position	(17,828,313)
Net OPEB asset	$ (2,076,184)
Plan fiduciary net position as a percentage of the total OPEB liability	113.18%

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 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, 2023 valuation were based on the results of an actual experience study as of July 2023.

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, 2023, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	4.25%
Equities	7.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability/(Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance, July 1, 2022	$ 15,129,452	$ 14,766,820	$ 362,632
Service cost	927,297	-	927,297
Interest	872,854	-	872,854
Difference between expected and actual experience	51,331	-	51,331
Contributions - employer	-	2,826,064	(2,826,064)
Expected investment income	-	788,620	(788,620)
Differences between projected and actual earnings on OPEB plan investments	-	376,248	(376,248)
Changes of assumptions	(402,741)	-	(402,741)
Benefit payments	(826,064)	(826,064)	-
Administrative expense	-	(103,375)	103,375
Net change in total OPEB liability/(asset)	622,677	3,061,493	(2,438,816)
Balance, June 30, 2023	$ 15,752,129	$ 17,828,313	$ (2,076,184)

Changes of assumptions reflect a change in the mortality rates for classified employees from the 2017 CalPERS Active Mortality for Miscellaneous Employees Table to the 2021 CalPERS Active Mortality for Miscellaneous Employees Table since the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Net OPEB Asset
1% decrease (4.75%)	$ (716,799)
Current discount rate (5.75%)	(2,076,184)
1% increase (6.75%)	(3,320,632)

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

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

Healthcare Cost Trend Rate	Net OPEB Liability/(Asset)
1% decrease (3.00%)	$ (3,846,548)
Current healthcare cost trend rate (4.00%)	(2,076,184)
1% increase (5.00%)	8,740

Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 731,447	$ -
Differences between expected and actual experience	1,855,199	1,703,570
Changes of assumptions	419,633	728,970
Net difference between projected and actual earnings on OPEB plan investments	1,145,763	-
Total	$ 4,152,042	$ 2,432,540

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	$ 281,292
2026	269,823
2027	669,896
2028	(75,248)
Total	$ 1,145,763

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	$ (3,630)
2026	(3,630)
2027	(3,630)
2028	(3,630)
2029	(3,630)
Thereafter	(139,558)
Total	$ (157,708)

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, 2022 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2024, the District reported a liability of $349,216 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2023 and June 30, 2022, was 0.1151% and 0.1125%, respectively, resulting in a net increase in the proportionate share of 0.0026%.

For the year ended June 30, 2024, the District recognized OPEB expense of $(21,386).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2022, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population (138,780).

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, 2023, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

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 (2.65%)	$ 379,526
Current discount rate (3.65%)	349,216
1% increase (4.65%)	322,861

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 321,313
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	349,216
1% increase (5.50% Part A and 6.40% Part B)	380,717

Note 9 - Risk Management

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2024, the District contracted with the California Schools Risk Management (CSRM) 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, 2024, the District participated in the California Schools Risk Management (CSRM) 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
California Schools Risk Management (CSRM)	Workers’ Compensation	$500,000
PRISM	Excess Workers' Compensation	Statutory excess of $500,000
PRISM/CSRM	Property	$600,000,000
CSRM	Liability	$1,000,000
PRISM	Liability	$5,000,000 excess of $1,000,000
Schools' Excess Liability Fund (SELF)	Liability	$50,000,000 excess of $5,000,000

Note 10 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2024, 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	$ 59,258,722	$ 21,035,615	$ 6,077,808	$ 8,494,810
CalPERS	66,292,013	23,091,023	3,271,023	9,828,741
Total	$ 125,550,735	$ 44,126,638	$ 9,348,831	$ 18,323,551

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, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2024, are summarized as follows:

Hire date	On or before December 31, 2012	On or after 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	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above, and the District's total contributions were $10,884,982.

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

At June 30, 2024, 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	$ 59,258,722
State's proportionate share of net pension liability associated with the District	28,392,520
Total	$ 87,651,242

The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, was 0.0778% and 0.0750%, respectively, resulting in a net increase in the proportionate share of 0.0028%.

For the year ended June 30, 2024, the District recognized pension expense of $8,494,810. In addition, the District recognized pension expense and revenue of $3,862,167 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,884,982	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,897,093	2,907,166
Differences between projected and actual earnings on pension plan investments	253,651	-
Differences between expected and actual experience in the measurement of the total pension liability	4,656,759	3,170,642
Changes of assumptions	343,130	-
Total	$ 21,035,615	$ 6,077,808

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
2025	$ (1,864,325)
2026	(2,921,724)
2027	4,801,417
2028	238,283
Total	$ 253,651

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
2025	$ 560,024
2026	427,653
2027	195,159
2028	151,274
2029	1,252,704
Thereafter	1,232,360
Total	$ 3,819,174

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 99,401,777
Current discount rate (7.10%)	59,258,722
1% increase (8.10%)	25,915,235

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, 2022, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2024, are summarized as follows:

Hire date	On or before December 31, 2012	On or after 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%	8.00%
Required employer contribution rate	26.68%	26.68%

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, 2024, are presented above, and the total District contributions were $10,148,317.

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

As of June 30, 2024, the District reported a net pension liability for its proportionate share of the CalPERS net pension liability totaling $66,292,013. The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, was 0.1831% and 0.1927%, respectively, resulting in a net decrease in the proportionate share of 0.0096%.

For the year ended June 30, 2024, the District recognized pension expense of $9,828,741. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,148,317	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	388,541	2,252,875
Differences between projected and actual earnings on pension plan investments	7,080,935	-
Differences between expected and actual experience in the measurement of the total pension liability	2,419,183	1,018,148
Changes of assumptions	3,054,047	-
Total	$ 23,091,023	$ 3,271,023

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
2025	$ 1,320,870
2026	782,516
2027	4,757,183
2028	220,366
Total	$ 7,080,935

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 1,345,188
2025	982,335
2026	263,225
Total	$ 2,590,748

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations, as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and the contributions from employers will be made at statutory required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 95,841,115
Current discount rate (6.90%)	66,292,013
1% increase (7.90%)	41,870,352

Pension Stabilization Trust

The District has established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the aggregate net pension liability shown on the Statement of Net Position. For the year ended June 30, 2024, contributions made to the trust were $8,000,000, which was due to the irrevocable trust from the Unrestricted General Fund at June 30, 2024. As of June 30, 2024, the balance of the trust investments was $40,125,432.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,541,427 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Social Security

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

Note 11 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2024.

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, 2024.

Construction Commitments

As of June 30, 2024, the District had approximately $57.0 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 12 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the California Schools Risk Management (CSRM) joint powers authority (JPA) public entity risk sharing pools for property/general liability and workers' compensation coverage and the California Schools Employee Benefits Association (CSEBA) JPA public entity risk sharing pools for employee health benefits. The District pays annual premiums to both entities for its workers' compensation, property/general liability, and employee health benefits coverage. The relationship between the District and both pools is such that they are not component units 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, 2024, the District made payments of $2,042,584 and $8,066,025 to CSRM and CSEBA, respectively.

Note 13 - Subsequent Events

On December 17, 2024, the District issued $30,000,000 and $145,000,000 of the Election of 2018 General Obligation Bonds, Series B-1 and Series B-2, respectively. The Series B-1 General Obligation Bonds carry an interest rate of 5.50% and mature on June 1, 2049. The Series B-2 General Obligation Bonds carry an interest rate of 6.00% and mature on June 1, 2049. Additionally, the District also issued $181,230,000 of 2024 General Obligation Refunding Bonds to refund the District's outstanding Election of 2018 General Obligation Bonds, Series A, with a final maturity date of June 1, 2042. The bonds bear interest rates between 4.45% and 5.12%. Interest for the General Obligation Bonds is paid semiannually on June 1 and December 1 of each year, with payments commencing June 1, 2025.

Required Supplementary Information
June 30, 2024

Chaffey Community College District

	2024	2023	2022	2021
Total OPEB Liability				
Service cost	$ 927,297	$ 930,076	$ 1,114,366	$ 1,155,317
Interest	872,854	818,861	908,618	846,366
Difference between expected and actual experience	51,331	-	(2,032,532)	(259,096)
Changes of assumptions	(402,741)	-	(481,447)	-
Benefit payments	(826,064)	(791,012)	(892,251)	(664,445)
Net change in total OPEB liability	622,677	957,925	(1,383,246)	1,078,142
Total OPEB Liability - Beginning	15,129,452	14,171,527	15,554,773	14,476,631
Total OPEB Liability - Ending (a)	$15,752,129	$15,129,452	$14,171,527	$15,554,773
Plan Fiduciary Net Position				
Contributions - employer	$ 2,826,064	$ 2,791,012	$ 1,892,251	$ 3,664,445
Expected investment income	788,620	872,431	617,931	468,517
Differences between projected and actual earnings on OPEB plan investments	376,248	(3,725,738)	2,000,383	(57,367)
Benefit payments	(826,064)	(791,012)	(892,251)	(664,445)
Administrative expense	(103,375)	(105,166)	(94,007)	(76,080)
Net change in plan fiduciary net position	3,061,493	(958,473)	3,524,307	3,335,070
Plan Fiduciary Net Position - Beginning	14,766,820	15,725,293	12,200,986	8,865,916
Plan Fiduciary Net Position - Ending (b)	$17,828,313	$14,766,820	$15,725,293	$12,200,986
Net OPEB Liability/(Asset) - Ending (a) - (b)	$ (2,076,184)	$ 362,632	$ (1,553,766)	$ 3,353,787
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.18%	97.60%	110.96%	78.44%
Covered Employee Payroll	$86,949,418	$76,380,623	$74,670,633	$73,448,608
Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	(2.39%)	0.47%	(2.08%)	4.57%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

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

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 716,512	$ 750,237	$ 718,091
Interest	663,371	611,467	562,860
Difference between expected and actual experience	2,847,372	-	-
Changes of assumptions	660,808	-	-
Benefit payments	(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
Net OPEB Liability/(Asset) - 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	$68,949,008	$68,241,447	$64,049,508
Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	8.14%	4.45%	6.06%
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.

	2024	2023	2022	2021
Annual money-weighted rate of return, net of investment expense	7.50%	(18.53%)	22.50%	4.62%

	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.

Year ended June 30,	2024	2023	2022	2021
Proportion of the net OPEB liability	0.1151%	0.1125%	0.1092%	0.1358%
Proportionate share of the net OPEB liability	$ 349,216	$ 370,602	$ 435,689	$ 575,372
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

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

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

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

	2024	2023	2022	2021	2020
CalSTRS					
Proportion of the net pension liability	0.0778%	0.0750%	0.0727%	0.0779%	0.0780%
Proportionate share of the net pension liability	$ 59,258,722	$ 52,088,818	$ 33,069,975	$ 75,510,210	$ 70,439,495
State's proportionate share of the net pension liability associated with the District	28,392,520	26,085,876	16,639,529	38,925,522	38,429,447
Total	$ 87,651,242	$ 78,174,694	$ 49,709,504	$114,435,732	$108,868,942
Covered payroll	$ 52,394,440	$ 46,791,531	$ 43,174,068	$ 46,448,684	$ 45,171,658
Proportionate share of the net pension liability as a percentage of its covered payroll	113.10%	111.32%	76.60%	162.57%	155.94%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
CalPERS					
Proportion of the net pension liability	0.1831%	0.1927%	0.1983%	0.1954%	0.1909%
Proportionate share of the net pension liability	$ 66,292,013	$ 66,309,011	$ 40,318,698	$ 59,955,554	$ 55,642,058
Covered payroll	$ 34,554,978	$ 29,589,092	$ 31,496,565	$ 26,999,924	$ 23,777,350
Proportionate share of the net pension liability as a percentage of its covered payroll	191.85%	224.10%	128.01%	222.06%	234.01%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019

	2019	2018	2017	2016	2015
CalSTRS					
Proportion of the net pension liability	0.0749%	0.0736%	0.0748%	0.0720%	0.0675%
Proportionate share of the net pension liability	$ 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	39,418,903	40,282,703	34,463,649	25,645,989	23,816,555
Total	$108,267,258	$108,374,789	$ 95,002,431	$ 74,136,225	$ 63,258,178
Covered payroll	$ 42,885,752	$ 41,039,579	$ 38,045,116	$ 36,400,980	$ 32,999,679
Proportionate share of the net pension liability as a percentage of its covered payroll	160.54%	165.92%	159.12%	133.21%	119.52%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS					
Proportion of the net pension liability	0.1862%	0.1801%	0.1756%	0.1836%	0.1848%
Proportionate share of the net pension liability	$ 49,641,169	$ 42,994,529	$ 34,682,765	$ 27,068,929	$ 20,982,604
Covered payroll	$ 25,355,695	$ 23,009,929	$ 21,036,811	$ 20,268,437	$ 19,485,358
Proportionate share of the net pension liability as a percentage of its covered payroll	195.78%	186.85%	164.87%	133.55%	107.68%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

	2024	2023	2022	2021	2020
CalSTRS					
Contractually required contribution	$ 10,884,982	$ 10,007,338	$ 7,917,127	$ 6,972,612	$ 7,942,725
Contributions in relation to the contractually required contribution	10,884,982	10,007,338	7,917,127	6,972,612	7,942,725
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 56,989,435	$ 52,394,440	$ 46,791,531	$ 43,174,068	$ 46,448,684
Contributions as a percentage of covered payroll	19.10%	19.10%	16.92%	16.15%	17.10%
CalPERS					
Contractually required contribution	$ 10,148,317	$ 8,766,598	$ 6,778,861	$ 6,519,789	$ 5,324,655
Contributions in relation to the contractually required contribution	10,148,317	8,766,598	6,778,861	6,519,789	5,324,655
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 38,037,170	$ 34,554,978	$ 29,589,092	$ 31,496,565	$ 26,999,924
Contributions as a percentage of covered payroll	26.680%	25.370%	22.910%	20.700%	19.721%

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

Note 1 - Purpose of Schedules

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

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

- Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.
- C*hanges of Assumptions* –Mortality rates assumed for classified employees were changed from the 2017 CalPERS Active Mortality for Miscellaneous Employees Table to the 2021 CalPERS Active Mortality for Miscellaneous Employees Table 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 3.54% to 3.65% 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.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of the District's Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2024

Chaffey Community College District

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

Board of Trustees as of June 30, 2024

Member	Office	Term Expires
Kathleen R. Brugger	President	2026
Deana Olivares-Lambert	Vice President	2026
Gloria Negrete McLeod	Clerk	2028
Lee C. McDougal	Immediate Past President	2028
Gary C. Ovitt	Member	2028
Tamia Newman	Student Trustee	2024

Administration as of June 30, 2024

Henry D. Shannon, Ph.D.	Superintendent/President
Lisa Bailey	Associate Superintendent, Business Services and Economic Development
Troy Ament	Associate Superintendent, Administrative Services and Emergency Operations
Alisha Rosas	Associate Superintendent, Student Services and Strategic Communications
Misty Burruel	Interim Associate Superintendent of Instruction and Institutional Effectiveness

Auxiliary Organizations in Good Standing

Chaffey College Foundation, established 1987
Master Agreement updated August 24, 2023
Heather Parsons, Executive Director

Chaffey College Auxiliary Corp., established January 22, 1987
Master Agreement established August 24, 2023
Patrick Cabildo, Executive Director, Business Services

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 28,798,659
Federal Pell Grant Program Administrative Allowance	84.063		38,045
Federal Direct Student Loans	84.268		636,359
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		926,210
FSEOG Administrative Allowance	84.007		47,576
Federal Work-Study Program	84.033		307,448
Federal Work-Study Program Administrative Allowance	84.033		15,373
Subtotal Student Financial Assistance Cluster			30,769,670
TRIO Cluster			
Upward Bound	84.047A		336,715
Subtotal TRIO Cluster			336,715
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		3,181,943
Developing Hispanic Serving Institutions Program (Title V)	84.031S		712,259
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	23-C01-920	810,003
Total U.S. Department of Education			35,810,590
U.S. Department of Agriculture			
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665		92,672
Subtotal Forest Service Schools and Roads Cluster			92,672
U.S. Department of Justice			
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		212,968
U.S. Department of the Treasury			
Passed through California Community Colleges Chancellor's Office			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	4,163,579
U.S. Department of Veterans Affairs			
Veterans Education	64.116		836
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]	93,071
Passed through County of San Bernardino, Transitional Services Department			
Temporary Assistance for Needy Families (TANF)	93.558	20-306 A-3	23,113
Subtotal			116,184
Total Federal Financial Assistance			$ 40,396,829

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

Program	Program Revenues					
	Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
AACC Employing Abilities at Work	$ 10,000	$ -	$ -	$ -	10,000	$ 10,000
Adult Education Block Grant	526,399	60,351	160,795	-	425,955	425,955
African American Male Education Network Development	20,000	-	4,039	-	15,961	15,961
Apprenticeship Innvoation	93,368	-	93,368	-	-	-
Basic Needs Center	1,196,736	-	900,897	-	295,839	295,839
Basic Skills	1,246,507	90,992	541,692	-	795,807	795,807
BHJIS Project	241,218	242,146	246,252	-	237,112	237,112
CAFYES Next Up	656,410	-	150,422	-	505,988	505,988
CAI Automation, Robotics & Mechatronics Pre-Apprenticeship	-	189,241	-	-	189,241	189,241
CAI Mechatronics Apprenticeship Program	-	90,954	-	-	90,954	90,954
Cal Grants	3,817,944	-	-	-	3,817,944	3,821,282
California Law Pathways	60,000	30,000	83,026	-	6,974	6,974
California Apprenticeship Initiative	96,000	-	29,855	-	66,145	66,145
California Apprenticeship Initiative - Automotive Apprenticeship	-	37,154	-	-	37,154	37,154
California College Promise	1,337,447	-	-	-	1,337,447	1,337,447
CalWORKS	1,007,073	-	289,740	-	717,333	717,333
Campus Child Care Tax Bailout	231,349	-	-	231,349	-	-
CARE Program	505,757	-	298,247	-	207,510	207,510
Chaffee Grant	179,748	-	-	-	179,748	177,248
COE Technical Assistance Desert	229,846	-	-	-	229,846	229,846
CORE Academy	4,372,899	-	4,227,400	-	145,499	145,499
COVID-19 Response Block Grant	398,606	-	398,606	-	-	-
Credit Student Success & Support Program Matriculation	5,323,145	-	-	-	5,323,145	5,323,145
Culturally Competent Faculty Professional Development	50,434	-	-	-	50,434	50,434
Culturally Responsive Pedagogy & Practices	204,000	-	181,448	-	22,552	22,552
Disability Programs and Services	3,522,896	-	1,441,428	-	2,081,468	2,081,468
DREAM Resource Liaison Support	432,743	-	380,359	-	52,384	52,384
EEO Best Practices	208,333	-	208,333	-	-	-
Emergency Financial Assistance Supplemental	481,217	-	481,217	-	-	-
Employment Training Grant	11,366	451,558	-	-	462,924	462,924
Equitable Placement and Completion Grant	859,961	-	832,141	-	27,820	27,820
Extended Opportunity Program and Services (EOPS)	2,738,282	725	738,039	-	2,000,968	2,000,968
Financial Aid Technology	119,653	-	21,149	-	98,504	98,504

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
Guided Pathways	$ 552,375	$ 60	$ 130,832	$ -	$ 421,603	$ 421,603
IAB - CalFresh Outreach	8,130	-	8,130	-	-	-
IAB - Student Retention & Outreach	4,555,802	-	3,806,490	-	749,312	749,312
InTech Welding Lab Foundation	3,000,000	-	3,000,000	-	-	-
Invention & Inclusive Innovation (I3) Program Grant	81,074	-	80,486	-	588	588
Learning-Aligned Employment Program Agreement	5,407,087	-	5,407,087	-	-	-
LGBTQ+	214,960	-	179,545	-	35,415	35,415
Lottery - Restricted	1,272,385	500,129	-	-	1,772,514	710,187
Lumina Foundation Grant	50,000	-	50,000	-	-	-
Mandated Costs	585,364	-	-	-	585,364	585,364
Mental Health Services	103,933	-	-	-	103,933	103,933
Mental Health Support	878,732	-	752,747	-	125,985	125,985
Next Up Foster Youth Outreach	10,000	-	-	-	10,000	10,000
Non-Credit Student Success & Support Program Matriculation	65,235	-	-	-	65,235	65,235
Nursing Enrollment Grant	181,789	-	10,831	-	170,958	170,958
Part-time Faculty Allocation	2,294,085	-	-	-	2,294,085	2,294,085
Physical Plant & Instruction Equipment Block Grant	15,425,715	-	5,153,651	-	10,272,064	10,272,064
Propositions 1D and 51 State Bond Funded Projects	3,728,918	-	-	-	3,728,918	3,260,970
Puente Project	29,149	-	-	-	29,149	29,149
Regional Equity & Recovery	35,816	5,969	25,535	-	16,250	16,250
Rising Scholars Program	251,498	77,043	-	-	328,541	328,541
Staff Development	50,990	-	37,446	-	13,544	13,544
Staff Diversity	183,102	-	80,274	-	102,828	102,828
Strong Workforce	5,607,936	-	3,649,828	-	1,958,108	1,958,108
Strong Workforce Local Reallocation	352,881	-	-	-	352,881	352,881
Strong Workforce Regional	425,421	392,976	-	-	818,397	818,397
Strong Workforce Regional Reallocation	63	-	-	-	63	63
Strong Workforce State	643,451	-	-	-	643,451	643,451
Student Equity	3,314,435	-	1,576,513	-	1,737,922	1,737,922
Student Financial Assistance Programs (BFAP)	872,008	-	-	-	872,008	872,008
Student Food & Housing Support	1,196,067	-	1,132,238	-	63,829	63,829
Student Retention & Outreach	6,866,491	-	1,707,589	-	5,158,902	5,158,902
Student Transfer Achievement Reform	565,217	-	565,217	-	-	-

Program	Program Revenues Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
Systemwide Technology & Data Security	$ 888,960	$ -	$ 658,683	$ -	$ 230,277	$ 230,277
Transfer & Articulation Ethnic Studies	48,695	-	21,291	-	27,404	27,404
Umoja Campus Programs	189,672	-	87,856	-	101,816	101,816
Veteran's Program	41,510	-	41,355	-	155	155
Veteran's Resource Center	263,379	-	87,094	-	176,285	176,285
Wellness Vending Machines	15,000	-	15,000	-	-	-
Zero Textbook Cost Grant	300,000	-	227,278	-	72,722	72,722
Total state programs	$ 90,736,662	$ 2,169,298	$ 40,201,449	$ 231,349	$ 52,473,162	$ 50,943,725

CATEGORIES	Reported Data**	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2023 only)			
1. Noncredit*	53.78	-	53.78
2. Credit	2,344.03	-	2,344.03
B. Summer Intersession (Summer 2024 - Prior to July 1, 2024)			
1. Noncredit*	-	-	-
2. Credit	1,146.90	-	1,146.90
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,011.10	-	2,011.10
(b) Daily Census Contact Hours	1,219.30	-	1,219.30
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	207.70	-	207.70
(b) Credit	508.05	-	508.05
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,633.13	-	1,633.13
(b) Daily Census Procedure Courses	7,208.23	-	7,208.23
(c) Noncredit Independent Study/Distance Education Courses	78.90	-	78.90
D. Total FTES	16,411.12	-	16,411.12
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	152.51	-	152.51
2. Credit	-	-	-
CCFS-320 Addendum			
CDCP Noncredit FTES	106.60	-	106.60
Centers FTES			
1. Noncredit*	32.30	-	32.30
2. Credit	2,358.62	-	2,358.62

*Including Career Development and College Preparation (CDCP) FTES.
**The District's attendance numbers were revised on October 24, 2024.

		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	$ 23,654,299	$ -	$ 23,654,299	$ 23,654,299	$ -	$ 23,654,299
Other	1300	21,783,184	-	21,783,184	21,783,184	-	21,783,184
Total Instructional Salaries		45,437,483	-	45,437,483	45,437,483	-	45,437,483
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	10,323,140	-	10,323,140
Other	1400	-	-	-	899,636	-	899,636
Total Noninstructional Salaries		-	-	-	11,222,776	-	11,222,776
Total Academic Salaries		45,437,483	-	45,437,483	56,660,259	-	56,660,259
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	24,782,503	-	24,782,503
Other	2300	-	-	-	843,654	-	843,654
Total Noninstructional Salaries		-	-	-	25,626,157	-	25,626,157
Instructional Aides							
Regular Status	2200	2,782,407	-	2,782,407	2,782,407	-	2,782,407
Other	2400	1,067,193	-	1,067,193	1,067,193	-	1,067,193
Total Instructional Aides		3,849,600	-	3,849,600	3,849,600	-	3,849,600
Total Classified Salaries		3,849,600	-	3,849,600	29,475,757	-	29,475,757
Employee Benefits	3000	21,478,797	-	21,478,797	44,879,149	-	44,879,149
Supplies and Material	4000	-	-	-	1,320,233	-	1,320,233
Other Operating Expenses	5000	228,033	-	228,033	12,264,699	-	12,264,699
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		70,993,913	-	70,993,913	144,600,097	-	144,600,097

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	(6,459)	-	(6,459)
Student Transportation	6491	-	-	-	767,865	-	767,865
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	319,621	-	319,621
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		-	-	-	-	-	-

See Notes to Supplementary Information

		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	$ -	$ -	$ -	$ 3,671,562	$ -	$ 3,671,562
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	4,752,589	-	4,752,589
Total for ECS 84362, 50% Law		$ 70,993,913	$ -	$ 70,993,913	$ 139,847,508	$ -	$ 139,847,508
% of CEE (Instructional Salary Cost/Total CEE)		50.77%		50.77%	100.00%		100.00%
50% of Current Expense of Education					$ 69,923,754		$ 69,923,754

Activity Classification	Object Code			Unrestricted
EPA Revenues:	8630			$ 14,228,532
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 14,228,532	$ -	$ -	$ 14,228,532
Total Expenditures for EPA		$ 14,228,532	$ -	$ -	$ 14,228,532
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balance and retained earnings		
General Funds	$ 60,903,019	
Special Revenue Funds	81,358,927	
Capital Project Funds	157,537,147	
Debt Service Funds	23,627,807	
Internal Service Funds	3,452,007	
Fiduciary Funds	19,796,851	
Total fund balance and retained earnings - all District funds		$ 346,675,758
Amounts held in trust on behalf of others (OPEB Trust)		(19,796,851)
The net other postemployment benefits (OPEB) asset results from the difference between annual OPEB cost on the accrual basis and OPEB contributions.		2,076,184
Capital assets used in governmental activities are not financial resouces and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	567,655,110	
Accumulated depreciation and amortization is	(168,160,063)	
Total capital assets, net		399,495,047
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of		
Deferred outflows of resources related to debt refunding	14,342,946	
Deferred outflows of resources related to OPEB	4,152,042	
Deferred outflows of resources related to pensions	44,126,638	
Total deferred outflows of resources		62,621,626
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.		(878,263)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of		
General obligation bonds, including premiums	(295,133,748)	
Lease revenue bonds	(23,835,000)	
Redevelopment agreement payable	(800,000)	
Subscription-based IT arrangements	(5,290,988)	
Compensated absences	(2,439,633)	
Net OPEB liability - MPP Program	(349,216)	
Aggregate net pension liability	(125,550,735)	
Total long-term liabilities		(453,399,320)

Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to OPEB	$ (2,432,540)	
Deferred inflows of resources related to pensions	(9,348,831)	
Total deferred inflows of resources		$ (11,781,371)
Total net position		$ 325,012,810

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, 2024.

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, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

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

Schedule of Expenditures of State Awards

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Independent Auditor’s Reports
June 30, 2024

Chaffey Community College District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the fiduciary activities of Chaffey Community College District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
December 30, 2024

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Chaffey Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards);* and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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 2024-001, 2024-002, and 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002 and 2024-003 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other 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
December 30, 2024

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on State Compliance

Opinion on State Compliance

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements described in the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations identified below for the year ended June 30, 2024.

In our opinion, Chaffey Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations identified below that were audited for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we express no such opinion.

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

Compliance Requirements Tested

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

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

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

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

The State Fiscal Recovery Fund was included as a major federal program, as described in the summary of auditor's results; therefore, the compliance requirements within this section were not performed.

The final expenditure report for the COVID-19 Response Block Grant was submitted in the prior fiscal year; therefore, the compliance requirements within this section were not performed.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2023-2024 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
December 30, 2024

Schedule of Findings and Questioned Costs
June 30, 2024

Chaffey Community College District

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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(a):	Yes

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs:	$1,211,905
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

The following findings represent significant deficiencies and instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2024-001 Special Tests and Provisions

Program Name: Student Financial Assistance Cluster
Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268
Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements

34 CFR 668.173(b): Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated 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 is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

OMB *Compliance Supplement*, 34 CFR section 668.22(e)(f): The amount of Title IV assistance earned by the student is calculated by dividing the number of days completed by the student within the period of enrollment by the total number of days in the enrollment period. The enrollment period includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in the period of enrollment and the number of calendar days completed in that period.

Condition

Significant Deficiency in Internal Control over Compliance – We noted the following instances of noncompliance:

- For one of the sixty students tested, the District did not return the required funds to the Department of Education within the 45-day requirement.
- For three of the sixty students tested, the District inaccurately calculated the Return to Title IV funds.

Cause

The District's internal controls over Return to Title IV calculations were not sufficient to ensure compliance with relevant requirements.

Effect

The District is not in compliance with the aforementioned criteria.

Questioned Costs

There are no questioned costs associated with this finding.

Context

The District performed 541 Return to Title IV calculations during the year ended June 30, 2024.

Repeat Finding (Yes or No)

No.

Recommendation

The District should review policies and procedures over the Return to Title IV calculations to ensure that the procedures are in line with the compliance requirements of the program. The District should strengthen internal controls over the review of the Return to Title IV calculations to ensure that the data utilized in preparing the calculation is accurate and that required funds are returned in a timely manner.

Views of Responsible Officials and Corrective Action Plan

The District and its Financial Aid department will continue 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, when 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.

The Financial Aid department will continue to meliorate the task of the Return to Title IV calculations. This task is a work function of the Financial Aid Coordinator position. While staff has been trained to perform this function, the District is currently in recruitment to fill the Financial Aid Coordinator position. While the Coordinator will be expected to perform the calculations, they will be submitted to the Director of Financial Aid for review and to ensure accuracy.

2024-002 Special Tests and Provisions

Program Name: Student Financial Assistance Cluster
Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268
Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements

OMB *Compliance Supplement*, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct Loan and Federal Family Educational Loan (FFEL) programs via the National Student Loan Data System (NSLDS).

Institutions are responsible for accurately reporting the following significant data elements under the Campus-Level Record that ED considers high risk:

- OPEID Number – This is the OPEID for the location that the student is attending.
- Enrollment Effective Date – The date that the current enrollment status reported for a student was first effective.
- Enrollment Status – The student's enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z)
- Certification Date – The date enrollment was certified by the District. At a minimum, schools are required to certify enrollment every 60 days.

Institutions are responsible for accurately reporting the following significant data elements under the Program-Level Record that ED considers high risk:

- OPEID Number – This is the OPEID for the location that the student is attending.
- CIP Code – The code that defines the student's field of study.
- CIP Year – The year that corresponds with the CIP Code.
- Credential Level – The level of a credential the student will receive for the program the student is attending.
- Published Program Length Measurement – How the program length is measured by the institution whether it be in days, weeks, or years.
- Published Program Length – The time it takes to complete a program as determined by the College.
- Program Begin Date – The date the student first began attending the program being reported.
- Program Enrollment Status – The student's enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z)
- Program Enrollment Effective Date – The date when the student's current program status first took effect.

Institutions are responsible for timely and accurate reporting, whether they report directly or through a third-party servicer.

Condition

Significant Deficiency in Internal Control over Compliance – During our review of the enrollment reporting requirements we observed the following:

- For one of sixty students who had a change in their enrollment status during the period subject to audit, the District did not accurately report the effective date of the change.
- For four of sixty students tested, there was no enrollment information reported to NSLDS during the period under audit.
- For one of sixty students tested, the student's field of study was not correctly reported to NSLDS.

Cause

The District did not accurately report enrollment information for students under the Pell grant and Direct loan programs via NSLDS. The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions.

Effect

The District is not in compliance with the aforementioned criteria.

Questioned Costs

There are no questioned costs associated with this finding.

Context

During the 2023-2024 fiscal year, the District distributed student financial aid to approximately 9,260 students.

Repeat Finding (Yes or No)

No.

Recommendation

The District should implement a process to review, update, and verify student enrollment information that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Views of Responsible Officials and Corrective Action Plan

The departments involved in the enrollment reporting process are continuing to review and enhance the workflow in order to report accurately. Monthly submissions by Information Technology Systems (ITS) will be completed in a timely manner to allow for prompt communication of corrections that are required, which are communicated to Admissions and Records by the National Student Clearinghouse (NSCH). Admissions and Records will ensure that error reports provided by NSCH are returned to NSCH within 10 business days to allow for a timely submission to the National Student Loan Database (NSLDS). Staff in Admissions and Records has been specifically assigned to complete error reports to contribute to a prompt submission. The Admissions and Records department will collaborate and communicate with the Financial Aid department to identify students with error codes in NSLDS in an effort to correct them. The Admissions and Records and Financial Aid departments will work with the Internal Auditor to perform semiannual reviews of NSLDS data to ensure accuracy of student records.

2024-003 Reporting

Program Name: Student Financial Assistance Cluster
Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268
Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements

Common Origination and Disbursement (COD) System (OMB No. 1845-0039) – Institutions submit Direct Loan and Pell Grant origination records and disbursement records to Department of Education through the COD system. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data.

Condition

Significant Deficiency in Internal Control over Compliance – The District inaccurately reported the disbursement date for one of sixty disbursements tested during the course of our audit.

Cause

The District's internal controls over COD Reporting were not performed as prescribed to prevent erroneous reporting.

Effect

The District is not in compliance with the aforementioned criteria.

Context

During the 2023-2024 fiscal year, the District distributed student financial aid to approximately 9,260 students.

Questioned Costs

There are no questioned costs associated with this finding.

Repeat Finding (Yes or No)

No.

Recommendation

The District should continue to monitor and review their policies and control procedures in place over COD reporting to confirm they operate as intended to ensure compliance with Federal requirements.

Views of Responsible Officials and Corrective Action Plan

The Financial Aid department will continue to review and update the reporting procedures. The Director of Financial Aid will review the origination and posting of loans with staff and train them to ensure that dates are consistent and in compliance with Title IV regulations.

None reported.

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