Chaffey Community College District

Annual Financial Report

June 30, 2018

CHAFFEY COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2018

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 5 through 12 and other required supplementary schedules on pages 64 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2018

USING THIS ANNUAL REPORT

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

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

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

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

Comparative information is included for the years ended June 30, 2018 and 2017.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is apportionment received from the State of California. The District's apportionment amount is determined by the number and size of colleges and centers in the District and the number of Full-Time Equivalent Students (FTES). Chaffey College has one medium college in Rancho Cucamonga and two large State approved centers in Fontana and Chino. The actual factored FTES per the 2017-2018 annual apportionment attendance report was 14,626.93. This is a decrease of 1,758.37 FTES from the prior year funded FTES. As part of stability, the District will be funded for the full base amount of 16,385.30 for 2017-2018 if the FTES can be restored in subsequent fiscal years. The FTES decrease is the result of moving some allowable 2017-2018 summer FTES forward to the 2018-2019 fiscal year. This action will restore all of the 2017-2018 FTES to the base of $16,385.30 and support growth in 2018-2019. The District's Cost of Living Adjustment (COLA) was 1.56 percent.

- At the close of the 2017-2018 fiscal year, the unrestricted General Fund reserve met the California Community Colleges Chancellor's Office recommendation to maintain a minimum of a five percent reserve. In addition, the District's Governing Board policy of a seven percent reserve has also been met. By maintaining this reserve, the District will have funds available for unanticipated expenditures and budget uncertainties.

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

FINANCIAL HIGHLIGHTS, Continued

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

- During the 2014-2015 fiscal year, the District established a Governmental Accounting Standards Board (GASB) Statement No. 74 irrevocable trust with Futuris Public Entity Investment Trust to fund other postemployment benefit (OPEB) obligations. The balance in this trust as of June 30, 2018 was $7,070,161. The District will budget annual contributions to continue funding the trust in an effort to meet future obligations.

- The District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, by State and Local Governmental Employers, for the year ended June 30, 2015. GASB Statement No. 68 is a change in accounting principles that establishes standards for measuring and recognizing future retirement liabilities. As a result of implementing GASB Statement No. 68, the District's aggregate net pension obligation as of June 30, 2018 was $111.1 million.

- During the 2016-2017 fiscal year, the District established an irrevocable pension stability trust with California Public Entity Pension Trust to assist in stabilizing the District's funding for increasing future State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) liabilities. The balance in this trust as of June 30, 2018 was $498,543.

- The District was awarded nearly $15 million for advanced manufacturing training from the Trade Adjustment Assistance Community College and Career Training (TAACCCT) competitive grant program, which is administered by the Department of Labor and the Department of Education. These funds were used to establish a Technical Training Center at California Steel Industries (CSI). Classes began at the INTECH center in early 2016.

- During the 2017-2018 school year, the District completed a 5.5 Megawatt solar photovoltaic carport project on the Rancho Cucamonga, Chino, and Fontana campuses. The project consisted of the installation of 13,712 solar panels that created 1,100 shaded parking spaces at the Rancho Cucamonga Campus, 240 at the Chino Campus, and 94 at the Fontana Campus. This project has reduced the District's consumption of Kilowatt Hours of approximately 49.5 percent at the Rancho Campus, 100.9 percent at the Chino Campus, and 79 percent at the Fontana Campus. In addition, the District realized a savings of approximately $65,500 on the May and June 2018 Edison bills. In order to subsidize a portion of the finance costs, the District submitted an application to the Internal Revenue Service (IRS) and applied for an allocation of Clean Renewable Energy Bonds (CREBS) of up $18,300,000. The IRS approved the request and the District received an allocation and authority to issue new CREBS up to $18,300,000. The District entered into a lease-purchase financing agreement with Banc of America Leasing and Capital, LLC at a 4.25 percent interest rate. After accounting for the IRS subsidy, the net interest rate to the District is 1.27 percent. The debt service will be paid from the energy savings.

- Measure L continues to support capital improvements and the District has various construction projects funded by the 2002 $230 million general obligation bond and capital projects funds in progress throughout the District. Some of the major projects in the construction stage during 2017-2018 fiscal year were:

    - Museum Renovation
    - Theatre Wings Renovation
    - Planetarium Renovation
    - Campus Center Shade Structure
    - Campus Center East Plaza

  Projects not completed in 2017-2018 will be completed in the 2018-2019 fiscal year and future year.

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

The economic position of the District is closely tied to the State of California, as State apportionments and property taxes allocated to the District in 2017-2018 represented approximately 84 percent of the unrestricted General Fund revenues.

The current California Community Colleges' funding formula relies heavily on the number of Full-Time Equivalent Students (FTES-enrollment). Generally, statewide the number of FTES has not been growing. To maximize student success and stabilize funding, the California Community Colleges' Chancellor's Office has introduced a new student centered funding formula for future years that will not only support access (FTES-enrollment), but also supports student equity and student success through additional allocations. The implementation of the new student centered funding formula in 2018-2019 tentatively results in more 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.

No State revenue shortfall and no year-end deficit factor were applied to the District's State revenue sources in 2017-2018.

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

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

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

Condensed financial information is as follows:

Net Position
as of June 30,

	2018	(as restated) 2017
Current		
Cash and investments	$ 98,728,919	$ 96,736,017
Other current assets	10,210,714	11,892,946
Total Current Assets	**108,939,633**	**108,628,963**
Noncurrent Assets		
Capital assets, net of depreciation	299,655,013	283,794,873
Total Assets	**408,594,646**	**392,423,836**
Deferred Outflow of Resources		
Deferred charge on refunding	11,467,120	12,081,838
Deferred outflows of resources related to OPEB & pensions	38,101,075	24,191,203
Total Deferred Outflow of Resources	**49,568,195**	**36,273,041**
Current Liabilities		
Accounts payable and accrued liabilities	19,239,917	15,273,446
Unearned revenue	16,147,051	15,063,279
Long-term obligations - current portion	7,431,523	6,626,523
Total Current Liabilities	**42,818,491**	**36,963,248**
Noncurrent Liabilities		
Long-term obligations	298,599,044	275,525,912
Total Liabilities	**341,417,535**	**312,489,160**
Deferred Inflow of Resources		
Deferred inflows of resources related to pensions	4,947,469	3,521,438
Net Position		
Net investment in capital assets	137,967,393	141,678,974
Restricted for expendable purposes	32,389,224	32,064,597
Unrestricted	(58,558,780)	(61,057,292)
Total Net Position	**$ 111,797,837**	**$ 112,686,279**

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

Capital assets, net of depreciation, are the historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Gross capital assets increased approximately $24.0 million due to the projects funded by the general obligation bond and lease revenue bonds. Current year depreciation expense was $8.4 million for a net increase in our capital asset balance of $15.9 million, net of disposals. Note 6 to the financial statements provides additional information on capital assets.

Long-term obligations consist primarily of general obligation and lease revenue bonds, aggregate net OPEB liability, and aggregate net pension obligation. At June 30, 2018, the District had $188.7 million in debt outstanding due to the issuance of bonds and notes payable. Note 10 to the financial statements provides additional information on long-term obligations. At June 30, 2018, the District's aggregate net pension obligation was $111.1 million. Note 12 to the financial statements provides additional information on the District's aggregate net pension obligation.

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

Operating Results
for the Years Ended June 30,

	2018	2017
Operating Revenues		
Tuition and fees (net)	$ 11,402,107	$ 11,019,385
Federal, State, and local grants and contracts, noncapital	42,823,794	40,486,085
Bookstore, net sales	5,334,380	5,731,504
Total Operating Revenues	**59,560,281**	**57,236,974**
Operating Expenses		
Salaries and benefits	109,674,004	101,973,683
Supplies, materials, and other operating expenses	26,718,592	27,851,578
Student financial aid	28,835,322	27,564,811
Depreciation	8,362,171	8,756,068
Total Operating Expenses	**173,590,089**	**166,146,140**
Operating Loss	**(114,029,808)**	**(108,909,166)**
Nonoperating Revenues (Expenses)		
State apportionments	36,526,368	37,355,523
Federal and State financial aid grants, noncapital	26,668,886	27,560,895
Property taxes	49,445,840	50,717,897
Other state revenues	4,656,349	5,243,799
Net interest and investment income (expense)	(5,620,557)	(6,062,791)
Other nonoperating revenues (expenses)	970,895	(1,163,713)
Total Nonoperating Revenue (Expenses)	**112,647,781**	**113,651,610**
Other Revenues and (Losses)		
State capital income	567,608	579,135
Local capital income (losses)	(31,889)	-
Loss on disposal of capital assets	(42,134)	(41,067)
Total Other Revenues and (Losses)	493,585	538,068
Change in Net Position	**$ (888,442)**	**$ 5,280,512**

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

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

Statement of Functional Expenses
for the Year Ended June 30, 2018

	Salaries and Benefits	Supplies, Materials, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 56,527,867	$ 1,610,122	$ -	$ -	$ 58,137,989
Academic support	7,326,333	352,494	-	-	7,678,827
Student services	14,950,796	884,997	-	-	15,835,793
Plant operations and maintenance	3,769,488	3,054,427	-	-	6,823,915
Instructional support services	2,045,357	113,040	-	-	2,158,397
General institutional support services	13,578,925	2,905,329	-	-	16,484,254
Community services and economic development	2,352,589	2,482,169	-	-	4,834,758
Ancillary services and auxiliary operations	4,264,291	2,384,266	-	-	6,648,557
Student financial aid	-	-	28,835,322	-	28,835,322
Physical property and related acquisitions	224,256	11,899,395	-	-	12,123,651
Planning, policymaking, and coordination	4,634,102	1,032,353	-	-	5,666,455
Unallocated depreciation	-	-	-	8,362,171	8,362,171
Total	**$ 109,674,004**	**$ 26,718,592**	**$ 28,835,322**	**$ 8,362,171**	**$ 173,590,089**

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

Statement of Cash Flows
for the Years Ended June 30,

	2018	2017
Cash From		
Operating activities	$ (97,744,870)	$ (94,028,249)
Noncapital financing activities	107,394,446	102,110,057
Capital financing activities	(9,030,398)	(2,829,894)
Investing activities	1,373,724	2,034,870
Net Change in Cash	1,992,902	7,286,784
Cash, Beginning of Year	96,736,017	89,449,233
Cash, End of Year	**$ 98,728,919**	**$ 96,736,017**

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

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

CONTACTING THE DISTRICT

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

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 3,637,312
Investments - unrestricted	80,088,251
Investments - restricted	15,003,356
Accounts receivable	7,957,062
Student receivables, net	814,523
Due from fiduciary funds	24,765
Inventories	1,414,364
Total Current Assets	108,939,633
Noncurrent Assets	
Nondepreciable capital assets	60,040,401
Depreciable capital assets, net of depreciation	239,614,612
Total Noncurrent Assets	299,655,013
TOTAL ASSETS	408,594,646
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	11,467,120
Deferred outflows of resources related to pensions	36,226,399
Deferred outflows of resources related to OPEB	1,874,676
TOTAL DEFERRED OUTFLOW OF RESOURCES	49,568,195
LIABILITIES	
Current Liabilities	
Accounts payable	18,476,720
Accrued interest payable	763,197
Unearned revenue	16,147,051
Bonds and notes payable - current portion	7,375,000
Energy optimization loan - current portion	56,523
Total Current Liabilities	42,818,491
Noncurrent Liabilities	
Bonds and notes payable	181,326,408
Compensated absences payable	1,728,710
Energy optimization loan	16,015
Aggregate net other postemployment benefits (OPEB) liability	4,441,296
Aggregate net pension obligation	111,086,615
Total Noncurrent Liabilities	298,599,044
TOTAL LIABILITIES	341,417,535
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,947,469
NET POSITION	
Net investment in capital assets	137,967,393
Restricted for:	
Debt service	12,558,580
Capital projects	14,634,725
Educational programs	3,206,301
Other activities	1,989,618
Unrestricted	(58,558,780)
TOTAL NET POSITION	$ 111,797,837

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

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Student Tuition and Fees	$ 24,660,013
Less: Scholarships discount and allowances	(13,257,906)
Net tuition and fees	11,402,107
Grants and Contracts, Noncapital	
Federal	7,365,742
State	35,220,309
Local	237,743
Total grants and contracts, noncapital	42,823,794
Sales	
Bookstore, net	5,334,380
TOTAL OPERATING REVENUES	59,560,281
OPERATING EXPENSES	
Salaries	78,781,884
Employee benefits	30,892,120
Supplies, materials, and other operating expenses and services	26,718,592
Student financial aid	28,835,322
Depreciation	8,362,171
TOTAL OPERATING EXPENSES	173,590,089
OPERATING LOSS	(114,029,808)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	36,526,368
Federal financial aid grants, noncapital	24,223,151
State financial aid grants, noncapital	2,445,735
Local property taxes, levied for general purposes	40,282,530
Taxes levied for other specific purposes	9,163,310
State taxes and other revenues	4,656,349
Investment income	1,171,927
Net unrealized gain on investments	111,914
Interest expense on capital related debt	(7,136,540)
Investment income on capital asset - related debt	232,142
Other nonoperating revenue	970,895
TOTAL NONOPERATING REVENUES (EXPENSES)	112,647,781
LOSS BEFORE OTHER REVENUES AND (LOSSES)	(1,382,027)
OTHER REVENUES AND (LOSSES)	
State revenues, capital	567,608
Local revenues (losses), capital	(31,889)
Loss on disposal of capital assets	(42,134)
TOTAL OTHER REVENUES AND (LOSSES)	493,585
CHANGE IN NET POSITION	(888,442)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	112,686,279
NET POSITION, END OF YEAR	$ 111,797,837

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

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 10,117,535
Grants and contracts	46,345,329
Auxiliary enterprise sales	5,334,380
Payments to or on behalf of employees	(108,104,637)
Payments to vendors for supplies and services	(24,438,995)
Payments to students for scholarships and grants	(26,998,482)
Net Cash Flows From Operating Activities	(97,744,870)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	35,772,963
Financial aid grants	26,668,886
Property taxes - non-debt related	40,282,530
State taxes and other apportionments	4,629,557
Other nonoperating	40,510
Net Cash Flows From Noncapital Financing Activities	107,394,446
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
State apportionments capital projects	567,608
Property taxes - related to capital debt	9,163,310
Local sources related to capital projects	(31,889)
Proceeds from capital debt	33,173,520
Acquisition and construction of capital assets	(22,924,203)
Deferred charges on refunding	(614,718)
Principal paid on capital debt and leases	(22,828,878)
Interest paid on capital debt	(5,767,290)
Interest received on capital asset - related debt	232,142
Net Cash Flows From Capital Financing Activities	(9,030,398)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	1,373,724
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,992,902
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	96,736,017
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 98,728,919

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

CHAFFEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (114,029,808)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	8,362,171
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows	
Receivables	1,153,191
Inventories	311,567
Accounts payable and accrued liabilities	4,324,588
Unearned revenue	1,083,772
Compensated absences payable	227,317
Aggregate net pension obligation	15,865,068
Aggregate net OPEB liability	(2,558,895)
Deferred outflows of resources related to pensions	(12,035,196)
Deferred outflows of resources related to aggregate net OPEB liability	(1,874,676)
Deferred inflows of resources related to pensions	1,426,031
Total Adjustments	16,284,938
Net Cash Flows From Operating Activities	$ (97,744,870)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 3,637,312
Cash with County Treasury	80,088,251
Investments	15,003,356
Total Cash and Cash Equivalents	$ 98,728,919
NON CASH TRANSACTIONS	
Board of governors fee waivers	$ 13,257,906
On behalf payments for benefits	3,275,846
	$ 16,533,752

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	$ -	$ 1,043,274
Investments	7,070,161	498,543
Accounts receivable	-	13,735
Total Assets	7,070,161	1,555,552
LIABILITIES		
Accounts payable	-	25,000
Due to primary government	-	24,765
Unearned revenue	-	102,265
Total Liabilities	-	152,030
NET POSITION		
Restricted for postemployment benefits other than pensions	7,070,161	-
Restricted	-	498,543
Unrestricted	-	904,979
Total Net Position	$ 7,070,161	$ 1,403,522

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

CHAFFEY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Interest and investment income	$ 393,342	$ -
District contributions	574,676	-
Local revenues	-	977,249
Total Additions	968,018	977,249
DEDUCTIONS		
Classified salaries	-	22,717
Employee benefits	574,676	2,161
Books and supplies	-	5,866
Administrative expenses	62,091	-
Services and operating expenditures	-	729,800
Total Deductions	636,767	760,544
Change in Net Position	331,251	216,705
Net Position - Beginning of Year	6,738,910	1,186,817
Net Position - End of Year	$ 7,070,161	$ 1,403,522

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

NOTE 1 - ORGANIZATION

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

Financial Reporting Entity

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools,* investments held at June 30, 2018, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required to be set aside by the District for the purpose of satisfying certain requirements.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $699,343 for the year ended June 30, 2018.

Inventories

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

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charges on Refunding

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Compensated Absences

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

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

Unearned Revenue

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

Noncurrent Liabilities

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

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

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

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $32,389,224 of restricted net assets.

Operating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged. The requirements of this Statement should be applied prospectively.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

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

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

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

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Other Investments

The District maintains investments outside the San Bernardino County Treasurer 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
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, 2018, consist of the following:

Primary government	$ 98,728,919
Fiduciary funds	8,611,978
Total Deposits and Investments	$ 107,340,897

Cash on hand and in banks	$ 4,625,086
Cash in revolving	55,500
Investments	102,660,311
Total Deposits and Investments	$ 107,340,897

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 municipal bonds.

Specific Identification

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

Investment Type	Fair Value	Weighted Average Days to Maturity
San Bernardino County Investment Pool	$ 79,642,000	353
Investment Money Market Funds	785,446	N/A
Municipal Bonds	14,352,653	2,355
Mutual Funds	7,565,805	N/A
Total	$102,345,904	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Investment Pool was rated by Fitch Ratings. The District's Corporate Obligations and Municipal Bonds were rated by Standards & Poor's as of June 30, 2018 as follows:

Investment Type	Fair Value	Rating June 30, 2018
San Bernardino County Investment Pool	$ 79,642,000	AAAf/S1
Investment Money Market Funds	785,446	N/A
Municipal Bonds	14,352,653	A+
Mutual Funds	7,565,805	N/A
Total	$102,345,904	

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance $4,572,634 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
San Bernardino County Investment Pool	$ 79,642,000	$ -	$ 79,642,000
Investment Money Market Funds	785,446	785,446	-
Municipal Bonds	14,352,653	14,352,653	-
Mutual Funds	7,565,805	7,565,805	-
Total	$ 102,345,904	$ 22,703,904	$ 79,642,000

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 1,932,736
State Government	
Apportionment	822,873
Categorical aid	1,922,971
Lottery	705,461
Other State sources	284,071
Local Sources	
Property taxes	1,408,405
Interest	338,373
Other local sources	542,172
Total	$ 7,957,062
Student receivables	$ 1,513,866
Less allowance for bad debt	(699,343)
Student receivables, net	$ 814,523

	Fiduciary Funds
Other local	$ 13,735

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	$ 51,556,772	$ -	$ -	$ 51,556,772
Construction in progress	2,970,588	22,516,415	17,003,374	8,483,629
Total Capital Assets Not Being Depreciated	54,527,360	22,516,415	17,003,374	60,040,401
Capital Assets Being Depreciated				
Buildings and improvements	306,679,100	183,779	38,743	306,824,136
Machinery and equipment	20,871,356	18,567,625	274,337	39,164,644
Total Capital Assets Being Depreciated	327,550,456	18,751,404	313,080	345,988,780
Total Capital Assets	382,077,816	41,267,819	17,316,454	406,029,181
Less Accumulated Depreciation				
Buildings and improvements	82,828,599	7,099,039	-	89,927,638
Machinery and equipment	15,454,344	1,263,132	270,946	16,446,530
Total Accumulated Depreciation	98,282,943	8,362,171	270,946	106,374,168
Net Capital Assets	$ 283,794,873	$ 32,905,648	$ 17,045,508	$ 299,655,013

Depreciation expense for the year was $8,362,171.

NOTE 7 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2018, the fiduciary funds owed the primary government $24,765.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018 fiscal year, there were no transfers between the primary government and the fiduciary funds.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Primary Government
Accrued payroll and benefits	$ 3,703,205
State apportionment	8,849,720
State categorical	15,400
Construction	1,566,798
Vendor payables	4,341,597
Total	$ 18,476,720

	Fiduciary Funds
Other liabilities	$ 25,000

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	Primary Government
Federal categorical aid	$ 6,135
State categorical aid	12,926,704
Other State	348,428
Enrollment fees	2,605,945
Other local	259,839
Total	$ 16,147,051

	Fiduciary Funds
Other local	$ 102,265

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated) Balance July 1, 2017	Additions/ Accretion	Deductions	Balance June 30, 2018	Due in One Year
Bonds and Notes Payable					
General obligation bonds, Series 2012D	$ 12,130,000	$ -	$ -	$ 12,130,000	$ -
General obligation bonds, Series 2012E	8,305,000	-	1,055,000	7,250,000	1,100,000
General obligation bonds, 2012 Refunding Bonds	43,050,000	-	1,770,000	41,280,000	1,950,000
General obligation bonds, 2014 Refunding Bonds	81,380,000	-	3,100,000	78,280,000	3,350,000
Lease revenue bonds, Series 2006A	1,725,000	-	1,725,000	-	-
Lease revenue bonds, Series 2008A	12,152,285	403,520	12,555,805	-	-
2017 Lease revenue refunding bonds	-	14,470,000	200,000	14,270,000	135,000
Lease revenue bonds, Series 2017	-	18,300,000	845,000	17,455,000	700,000
Unamortized bond premium	17,738,902	-	1,342,494	16,396,408	-
Redevelopment agreement payable	1,780,000	-	140,000	1,640,000	140,000
Total Bonds and Notes Payable	178,261,187	33,173,520	22,733,299	188,701,408	7,375,000
Other Liabilities					
Compensated absences	1,501,393	227,317	-	1,728,710	-
Energy optimization loan	168,117	-	95,579	72,538	56,523
Aggregate net other postemployment benefits (OPEB) liability	7,000,191	-	2,558,895	4,441,296	-
Aggregate net pension obligation	95,221,547	15,865,068	-	111,086,615	-
Total Other Liabilities	103,891,248	16,092,385	2,654,474	117,329,159	56,523
Total Long-Term Obligations	$ 282,152,435	$ 49,265,905	$ 25,387,773	$ 306,030,567	$ 7,431,523

Description of Debt

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

The lease revenue bonds issued in 2006 and 2008, were to fund various capital improvement projects at the Fontana Center. As of June 30, 2018, both of these lease bond issuances were legally defeased with the issuance of the 2017 Lease Revenue Refunding Bonds.

During the 2018 fiscal year, the District issued the 2017 Lease Revenue Refunding Bonds. The District received proceeds in the amount of $14,470,000 to refund the remaining outstanding balances of the 2006 and 2008 Series Lease Revenue Bonds. The refunding resulted in a present value cash flow savings to the District of $1,862,215 discounted at 2.23 percent. The bonds mature beginning on May 1, 2018 through May 1, 2032, with interest rates of 2.23 and 4.24 percent. At June 30, 2018, $14,270,000 was outstanding. Payments will be made from the Capital Outlay Projects Fund.

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $377,091. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2032 using the straight-line method. The deferred charge on refunding balance at June 30, 2018, was $377,091. During the 2018 fiscal year, the District issued the 2017 Lease Revenue Bonds. The District received proceeds in the amount of $18,300,000 to fund the construction of a solar panel covered parking lot. The bonds mature beginning on May 1, 2018 through May 1, 2036, with an interest rate of 4.25 percent. At June 30, 2018, $17,455,000 was outstanding. Payments will be made from the Capital Outlay Projects Fund.

During the 2005 fiscal year, the District entered into an agreement with the Fontana Redevelopment Agency to assist in the expansion of the Chaffey College Ralph M. Lewis Fontana Center. The agency purchased the land on behalf of the District, and the District agreed to pay $3,600,000 for the land in annual payments of $140,000. Payments will be made from the Capital Projects Fund. At June 30, 2018, the outstanding balance was $1,640,000.

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

During the 2013 fiscal year, the District entered into three loan agreements with Southern California Edison that totaled $634,204. These agreements provided the District with various energy efficient equipment. The monthly payments vary by loan and will continue through the 2020 fiscal year. The outstanding balance at June 30, 2018, was $72,538. Payments will be made from the unrestricted General Fund.

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

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

Bonded Debt

2012 General Obligation Bonds, Series D

During August 2012, the District issued the 2012 General Obligation Bonds, Series D, in the amount of $12,130,000. The bonds mature beginning on June 1, 2026 through June 1, 2037, with interest rates ranging from 2.80 percent to 3.63 percent. The unamortized premium balance at June 30, 2018, was $1,090,999. At June 30, 2018, $12,130,000 was outstanding.

2012 General Obligation Bonds, Series E

During August 2012, the District issued the 2012 General Obligation Bonds, Series E, in the amount of $15,305,000. The bonds mature beginning on June 1, 2013 through June 1, 2024, with interest rates ranging from 2.00 percent to 5.00 percent. The unamortized premium balance at June 30, 2018, was $1,004,734. At June 30, 2018, $7,250,000 was outstanding.

2012 General Obligation Refunding Bonds

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

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $6,459,556. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2028 using the straight-line method. The deferred charge on refunding balance at June 30, 2018, was $4,058,359. The unamortized premium balance at June 30, 2018, was $5,580,810. The outstanding principal balance of the bonds at June 30, 2018, was $41,280,000.

2014 General Obligation Refunding Bonds

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

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

The above refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $9,375,561. The difference reported in the accompanying financial statements as a deferred amount on refunding is being charged to operations through the year 2030 using the straight-line method. The deferred charge on refunding balance at June 30, 2018, was $7,031,670. The unamortized premium balance at June 30, 2018, was $8,719,865. The outstanding principal balance of the bonds at June 30, 2018, was $78,280,000.

The outstanding general obligation bonded debt is as follows:

Issuance	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Additions	Redeemed	Bonds Outstanding June 30, 2018
2012 Series D	2037	2.80-3.63%	12,130,000	$ 12,130,000	$ -	$ -	$ 12,130,000
2012 Series E	2024	2.00-5.00%	15,305,000	8,305,000	-	1,055,000	7,250,000
2012 Refunding	2030	2.00-5.00%	47,020,000	43,050,000	-	1,770,000	41,280,000
2014 Refunding	2032	1.00-5.00%	84,675,000	81,380,000	-	3,100,000	78,280,000
				$ 144,865,000	$ -	$ 5,925,000	$ 138,940,000

Debt Service Requirements to Maturity

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ -	$ 580,550	$ 580,550
2020	-	580,550	580,550
2021	-	580,550	580,550
2022	-	580,550	580,550
2023	-	580,550	580,550
2024-2028	3,005,000	2,686,250	5,691,250
2029-2033	4,595,000	1,801,350	6,396,350
2034-2037	4,530,000	580,000	5,110,000
Total	$ 12,130,000	$ 7,970,350	$ 20,100,350

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 1,100,000	$ 298,100	$ 1,398,100
2020	1,145,000	254,100	1,399,100
2021	1,190,000	208,300	1,398,300
2022	1,220,000	178,550	1,398,550
2023	1,265,000	129,750	1,394,750
2024	1,330,000	66,500	1,396,500
Total	$ 7,250,000	$ 1,135,300	$ 8,385,300

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 1,950,000	$ 2,024,375	$ 3,974,375
2020	2,170,000	1,926,875	4,096,875
2021	2,390,000	1,840,075	4,230,075
2022	2,620,000	1,738,500	4,358,500
2023	2,900,000	1,607,500	4,507,500
2024-2028	19,265,000	5,559,250	24,824,250
2029-2030	9,985,000	752,750	10,737,750
Total	$ 41,280,000	$ 15,449,325	$ 56,729,325

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 3,350,000	$ 3,624,885	$ 6,974,885
2020	3,650,000	3,476,554	7,126,554
2021	3,975,000	3,312,236	7,287,236
2022	4,305,000	3,130,574	7,435,574
2023	4,655,000	2,932,205	7,587,205
2024-2028	29,570,000	11,049,702	40,619,702
2029-2032	28,775,000	3,496,820	32,271,820
Total	$ 78,280,000	$ 31,022,976	$ 109,302,976

Lease Revenue Bonds

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 135,000	$ 572,666	$ 707,666
2020	205,000	569,265	774,265
2021	260,000	564,470	824,470
2022	475,000	557,670	1,032,670
2023	1,045,000	540,102	1,585,102
2024-2028	6,180,000	2,007,852	8,187,852
2029-2032	5,970,000	582,894	6,552,894
Total	$ 14,270,000	$ 5,394,919	$ 19,664,919

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 700,000	$ 734,613	$ 1,434,613
2020	730,000	704,437	1,434,437
2021	760,000	673,200	1,433,200
2022	785,000	640,475	1,425,475
2023	815,000	607,006	1,422,006
2024-2028	4,560,000	2,476,263	7,036,263
2029-2033	5,445,000	1,431,081	6,876,081
2034-2036	3,660,000	273,169	3,933,169
Total	$ 17,455,000	$ 7,540,244	$ 24,995,244

Redevelopment Agreement Payable

Principal is due through 2030 as follows:

Fiscal Year	Principal
2019	$ 140,000
2020	140,000
2021	140,000
2022	140,000
2023	140,000
2024-2028	700,000
2029-2030	240,000
Total	$ 1,640,000

Loan Payable

The loan payments are due as follows:

Year Ending June 30,	Loan Payment
2019	$ 56,523
2020	16,015
Total	$ 72,538

Compensated Absences

At June 30, 2018, the liability for compensated absences was $1,728,710.

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 3,880,493	$ 1,874,676	$ (2,496,688)
Medicare Premium Payment (MPP) Program	560,803	-	(62,207)
Total	$ 4,441,296	$ 1,874,676	$ (2,558,895)

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, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	39
Active employees	507
	546

Retiree Health Benefit OPEB Trust

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by management and the District's governing board. For fiscal year 2016-2017, the District contributed $1,841,533 to the Plan, $541,533 was used for current premiums, and $1,300,000 was transferred to the OPEB irrevocable trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2017:

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

Rate of Return

For the year ended June 30, 2017, the annual money-weighed rate of return on investments, net of investment expense, was 9.74 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $3,880,493 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	$ 9,319,400
Plan fiduciary net position	5,438,907
District's net OPEB liability	$ 3,880,493
Plan fiduciary net position as a percentage of the total OPEB liability	58%

Actuarial Assumptions

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	9.1%
Fixed income	4.8%
International equity	8.7%
Real estate	7.5%
Cash	1.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2016	$ 8,579,982	$ 2,202,801	$ 6,377,181
Service cost	718,091	-	718,091
Interest	562,860	-	562,860
Contributions - employer	-	3,385,533	(3,385,533)
Net investment income	-	434,835	(434,835)
Benefit payments	(541,533)	(541,533)	-
Administrative expense	-	(42,729)	42,729
Net change in total OPEB liability	739,418	3,236,106	(2,496,688)
Balance at June 30, 2017	$ 9,319,400	$ 5,438,907	$ 3,880,493

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

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (5.50%)	$ 4,562,606
Current discount rate (6.50%)	3,880,493
1% increase (7.50%)	3,264,078

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 2,150,223
Current healthcare cost trend rate (4.00%)	3,880,493
1% increase (5.00%)	5,936,211

Deferred Outflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $1,874,676.

<u>Medicare Premium Payment (MPP) Program</u>

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, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

Contributions

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

OPEB Liabilities and Expense Related to the OPEB

At June 30, 2018, the District reported a liability of $560,803 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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 community college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.1333 percent and 0.1331, respectively, resulting in a net increase in the proportionate share of 0.0002 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(62,207).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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 the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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 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 OPEB Liability
1% decrease (2.58%)	$ 620,848
Current discount rate (3.58%)	560,803
1% increase (4.58%)	502,397

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 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 506,771
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	560,803
1% increase (4.7% Part A and 5.1% Part B)	614,295

Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to $111,086,615. See Note 12 for additional information.

NOTE 11 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2018, the District contracted with the Southern California Schools Risk Management (SCSRM) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District participated in the Southern California Schools Risk Management (SCSRM) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2018, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 68,092,086	$ 22,432,064	$ 3,800,369	$ 7,755,492
CalPERS	42,994,529	13,794,335	1,147,100	7,626,818
Total	$ 111,086,615	$ 36,226,399	$ 4,947,469	$ 15,382,310

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were $6,188,414.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	68,092,086
State's proportionate share of net pension liability associated with the District		40,282,703
Total	$	108,374,789

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0736 percent and 0.0748 percent, respectively, resulting in a net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2018, the District recognized pension expense of $7,755,492. In addition, the District recognized pension expense and revenue of $4,054,841 for support provided by the State. At June 30, 2018, 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	$ 6,188,414	$ -
Net change in proportionate share of net pension liability	3,376,985	799,252
Differences between projected and actual earnings on the pension plan investments	-	1,813,482
Differences between expected and actual experience in the measurement of the total pension liability	251,811	1,187,635
Changes of assumptions	12,614,854	-
Total	$ 22,432,064	$ 3,800,369

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
2019	$ (1,507,614)
2020	1,140,820
2021	164,499
2022	(1,611,187)
Total	$ (1,813,482)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,515,773
2020	2,515,773
2021	2,515,773
2022	2,515,774
2023	2,182,437
Thereafter	2,011,233
Total	$ 14,256,763

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 99,980,800
Current discount rate (7.10%)	68,092,086
1% increase (8.10%)	42,212,234

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, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above, and the total District contributions were $3,937,993.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $42,994,529. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.1801 percent and 0.1756 percent, respectively, resulting in a net increase in the proportionate share of 0.0045 percent.

For the year ended June 30, 2018, the District recognized pension expense of $7,626,818. At June 30, 2018, 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	$ 3,937,993	$ -
Net change in proportionate share of net pension liability	548,681	640,893
Differences between projected and actual earnings on the pension plan investments	1,487,317	-
Differences between expected and actual experience in the measurement of the total pension liability	1,540,317	-
Changes of assumptions	6,280,027	506,207
Total	$ 13,794,335	$ 1,147,100

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
2019	$ (40,301)
2020	1,716,041
2021	626,032
2022	(814,455)
Total	$ 1,487,317

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,394,751
2020	2,484,966
2021	2,342,208
Total	$ 7,221,925

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 63,258,730
Current discount rate (7.15%)	42,994,529
1% increase (8.15%)	26,183,678

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to $3,275,846 (9.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Social Security

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

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, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitment with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Solar Carports	$ 627,170	Summer 2018
Measure L Buildout Projects	4,667,761	Winter 2018
	$ 5,294,931	

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

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

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

These JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

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

During the year ended June 30, 2018, the District made payments of $774,188 and $1,420,739 to SCSRM and SCSEBA, respectively.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	$ 120,399,387
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(7,713,108)
Net Position - Beginning, as Restated	$ 112,686,279

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 718,091
Interest	562,860
Benefit payments	(541,533)
Net changes in total OPEB liability	739,418
Total OPEB Liability - beginning	8,579,982
Total OPEB Liability - ending (a)	$ 9,319,400
Plan fiduciary net position	
Contributions - employer	$ 3,385,533
Net investment income	434,835
Benefit payments	(541,533)
Administrative expense	(42,729)
Net change in plan fiduciary net position	3,236,106
Plan fiduciary net position - beginning	2,202,801
Plan fiduciary net position - ending (b)	$ 5,438,907
District's net OPEB liability - ending (a) - (b)	$ 3,880,493
Plan fiduciary net position as a percentage of the total OPEB liability	58.36%
Covered-employee payroll	$ 68,241,447
District's net OPEB liability as a percentage of covered-employee payroll	5.69%

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

See accompanying note to required supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Annual money-weighted rate of return, net of investment expense	9.74%

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

See accompanying note to required supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.1333%
District's proportionate share of the net OPEB liability	$ 560,803
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[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.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0736%	0.0748%
District's proportionate share of the net pension liability	$ 68,092,086	$ 60,538,782
State's proportionate share of the net pension liability associated with the District	40,282,703	34,463,649
Total	$ 108,374,789	$ 95,002,431
District's covered-employee payroll	$ 41,039,579	$ 38,045,116
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.92%	159.12%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1801%	0.1756%
District's proportionate share of the net pension liability	$ 42,994,529	$ 34,682,765
District's covered-employee payroll	$ 23,009,929	$ 21,036,811
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.85%	164.87%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.0720%	0.0675%
$ 48,490,236	$ 39,441,623
25,645,989	23,816,555
$ 74,136,225	$ 63,258,178
$ 36,400,980	$ 32,999,679
133.21%	119.52%
74%	77%
0.1836%	0.1848%
$ 27,068,929	$ 20,982,604
$ 20,268,437	$ 19,485,358
133.55%	107.68%
79%	83%

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 6,188,414	$ 5,162,779
Contributions in relation to the contractually required contribution	6,188,414	5,162,779
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 42,885,752	$ 41,039,579
Contributions as a percentage of covered-employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 3,937,993	$ 3,195,619
Contributions in relation to the contractually required contribution	3,937,993	3,195,619
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 25,355,695	$ 23,009,929
Contributions as a percentage of covered-employee payroll	15.531%	13.888%

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

See accompanying note to required supplementary information.

	2016	2015
	$ 4,082,241	$ 3,232,407
	4,082,241	3,232,407
	$ -	$ -
	$ 38,045,116	$ 36,400,980
	10.73%	8.88%
	$ 2,492,231	$ 2,385,595
	2,492,231	2,385,595
	$ -	$ -
	$ 21,036,811	$ 20,268,437
	11.847%	11.771%

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

Schedule of OPEB Investment Returns

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

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

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

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

Changes of Assumptions **-** The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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

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

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

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2018

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Kathleen R. Brugger	President	June 2022
Gloria Negrete McLeod	Vice President	June 2020
Gary Ovitt	Clerk	June 2020
Lee C. McDougal	Member	June 2020
Katherine Roberts	Member	June 2022
Moises Rosales	Student Trustee	May 2019

ADMINISTRATION

Henry D. Shannon, Ph.D.	Superintendent/President
Meridith Randall	Associate Superintendent, Instruction and Institutional Effectiveness
Lisa Bailey	Associate Superintendent, Business Services and Economic Development
Melanie Siddiqi	Vice President, Administrative Affairs
Eric Bishop, Ed.D.	Vice President, Student Services

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063		$ 23,663,801	$ -
Federal Pell Grant Program Administrative Allowance	84.063		39,405	-
Federal Supplemental Educational Opportunity Grants	84.007		559,350	-
Federal Supplemental Educational Opportunity Grants Administrative Allowance	84.007		28,003	-
Federal Work-Study Program	84.033		585,121	-
Federal Work-Study Program Administrative Allowance	84.033		29,256	-
Total Student Financial Assistance Cluster			24,904,936	-
Title III STEM	84.031C		584,764	-
Developing Hispanic Serving Institutions Program (Title V)	84.031S		619,225	-
Upward Bound	84.047A		250,591	-
Child Care Access Means Parents in School (CCAMPIS) Grant	84.335A		265,301	-
Passed through California Community Colleges Chancellor's Office				
CTE Transitions	84.048A	17-C01-008	41,592	-
Career and Technical Education Act, Perkins Title I, Part C	84.048A	17-C01-008	723,811	-
Total U.S. Department of Education			27,390,220	-
U.S. DEPARTMENT OF LABOR				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		3,377,515	2,123,409
Passed through from MiraCosta Community College District				
America's Promise Grant	17.268	[1]	225,997	-
Total U.S. Department of Labor			3,603,512	2,123,409
U.S. DEPARTMENT OF AGRICULTURE				
Forest Reserve	10.665		39,039	-
Passed through California Department of Education				
Child and Adult Care Food Program	10.558	04374-CACFP-36-CC-IC	85,843	-
Total U.S. Department of Agriculture			124,882	-
U.S. DEPARTMENT OF VETERAN AFFAIRS				
Vocational Rehabilitation for Disabled Veterans	64.116		369	-

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

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF) Cluster:				
Passed through California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	$ 119,841	$ -
Passed through County of San Bernardino Transitional Assistance Department				
Vocational Education and Training	93.558	[1]	214,668	-
Total Temporary Assistance for Needy Families (TANF) Cluster			334,509	-
Child Care and Development Fund (CCDF) Cluster:				
Passed through California Department of Education				
Child Care and Development Block Grant	93.575	15136	40,277	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	87,624	-
Passed through Yosemite Community College District				
Child Development Training Consortium	93.575	17-18-3140	7,500	-
Total Child Care and Development Fund (CCDF) Cluster			135,401	-
Total U.S. Department of Health and Human Services			469,910	-
Total Expenditures of Federal Programs			$ 31,588,893	$ 2,123,409

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

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues					
Program	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
Part-time Faculty Allocation	$ 342,568	$ -	$ -	$ -	$ 342,568	$ 342,568
Lottery	2,693,531	-	-	-	2,693,531	2,693,531
Lottery Restricted	190,111	352,730	-	-	542,841	542,841
Lottery Restricted - RAC	104,682	-	-	-	104,682	104,682
Campus Child Care Tax Bailout	156,526	-	-	-	156,526	156,526
Child and Adult Care Food Program	4,210	590	-	-	4,800	4,800
General Child Care and Development	214,240	-	-	-	214,240	214,240
California State Preschool Program	341,185	130,477	-	-	471,662	471,662
Dreamers Emergency Aid	128,723	-	-	-	128,723	128,723
Community College Completion Grant	351,000	-	-	200,250	150,750	150,750
Student Financial Assistance Programs (BFAP)	719,198	-	-	-	719,198	719,198
Full-time Student Success Grant	1,248,400	-	-	319,500	928,900	928,900
Extended Opportunity Program and Services (EOPS)	1,238,087	-	-	-	1,238,087	1,238,087
Cooperating Agencies Foster Youth Educational Support (CAFYES)	267,590	-	-	267,590	-	-
DPS	1,549,610	-	-	43,101	1,506,509	1,506,509
Health Services	863,669	-	-	-	863,669	863,669
Adult Education Block Grant	533,334	16,667	-	334,157	215,844	215,844
Physical Plant and Instructional Equipment Block Grant	4,956,762	-	-	2,975,581	1,981,181	1,981,181
Parking	1,104,500	-	-	-	1,104,500	1,104,500
Student Equity	2,616,297	-	-	626,168	1,990,129	1,990,129
SSSP	5,301,069	-	15,400	1,656,543	3,629,126	3,629,126
Non-Credit SSSP	40,530	-	-	-	40,530	40,530
Maker Space Grant	25,000	118,767	-	-	143,767	143,767
Strong Workforce	4,891,837	56,046	-	4,040,686	907,197	907,197
CalWORKS	692,456	-	-	-	692,456	692,456
Sector Navigator	149,000	336,761	-	-	485,761	485,761

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues					
Program	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
Deputy Sector Navigator	$ 168,254	$ 99,706	$ -	$ -	$ 267,960	$ 267,960
CTE Data Unlocked	-	360,000	-	356,421	3,579	3,579
Staff Diversity	105,046	-	-	13,853	91,193	91,193
Care Program	135,033	-	-	317	134,716	134,716
Guided Pathways	484,783	-	-	453,340	31,443	31,443
Renewing Communities Grant	152,444	24,997	-	2,093	175,348	175,348
Basic Skills	860,465	-	-	489,057	371,408	371,408
Employment Training Grant	119,733	429,914	-	-	549,647	549,647
Prop 39 Mini Grant HVAC	40,000	-	-	34,212	5,788	5,788
Innovation in Higher Education	900,000	-	-	900,000	-	-
Nursing Enrollment Grant Year 2	84,400	124,346	-	-	208,746	208,746
COE Technical Assistance Provider - Desert	-	200,000	-	-	200,000	200,000
COE Fee Based Contracts	375,619	24,700	-	213,835	186,484	186,484
Mandated Costs	931,915	-	-	-	931,915	931,915
Cal Grants	2,446,056	-	-	-	2,446,056	2,446,056
Total State Programs	$ 37,527,863	$ 2,275,701	$ 15,400	$ 12,926,704	$ 26,861,460	$ 26,861,460

CHAFFEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit*	53.20	-	53.20
2. Credit	76.19	-	76.19
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,341.05	-	10,341.05
(b) Daily Census Contact Hours	1,758.59	-	1,758.59
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	351.70	-	351.70
(b) Credit	390.43	-	390.43
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,161.90	-	1,161.90
(b) Daily Census Contact Hours	493.87	-	493.87
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	14,626.93	-	14,626.93
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	385.46	-	385.46
2. Credit	598.44	-	598.44
Centers FTES			
1. Noncredit*	31.40	-	31.40
2. Credit	2,984.67	-	2,984.67

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

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018

		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	$ 18,954,039	$ -	$ 18,954,039	$ 18,954,039	$ -	$ 18,954,039
Other	1300	17,033,791	-	17,033,791	17,033,791	-	17,033,791
Total Instructional Salaries		35,987,830	-	35,987,830	35,987,830	-	35,987,830
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	7,799,845	-	7,799,845
Other	1400	-	-	-	624,037	-	624,037
Total Noninstructional Salaries		-	-	-	8,423,882	-	8,423,882
Total Academic Salaries		35,987,830	-	35,987,830	44,411,712	-	44,411,712
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	16,648,004	-	16,648,004
Other	2300	-	-	-	774,161	-	774,161
Total Noninstructional Salaries		-	-	-	17,422,165	-	17,422,165
Instructional Aides							
Regular Status	2200	1,917,228	-	1,917,228	1,917,228	-	1,917,228
Other	2400	1,113,565	-	1,113,565	1,113,565	-	1,113,565
Total Instructional Aides		3,030,793	-	3,030,793	3,030,793	-	3,030,793
Total Classified Salaries		3,030,793	-	3,030,793	20,452,958	-	20,452,958
Employee Benefits	3000	12,007,792	-	12,007,792	23,297,143	-	23,297,143
Supplies and Material	4000	-	-	-	1,360,187	-	1,360,187
Other Operating Expenses	5000	-	-	-	9,577,937	-	9,577,937
Equipment Replacement	6420	-	-	-	15,704	-	15,704
Total Expenditures Prior to Exclusions		51,026,415	-	51,026,415	99,115,641	-	99,115,641

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	702,545	-	702,545
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	149,462	-	149,462
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 accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

		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	$ -	$ -	$ -	$ 2,693,531	$ -	$ 2,693,531
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	493,193	-	493,193
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	493,193	-	493,193
Total Capital Outlay		-	-	-	493,193	-	493,193
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	4,038,731	-	4,038,731
Total for ECS 84362, 50 Percent Law		$ 51,026,415	$ -	$ 51,026,415	$ 95,076,910	$ -	$ 95,076,910
Percent of CEE (Instructional Salary Cost/Total CEE)		53.67%		53.67%	100.00%		100.00%
50% of Current Expense of Education					$ 47,538,454		$ 47,538,454

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				$ 12,843,991
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 12,843,991	$ -	$ -	$ 12,843,991
Total Expenditures for EPA		$ 12,843,991	$ -	$ -	$ 12,843,991
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

CHAFFEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings		
General Fund	$ 24,052,016	
Special Revenue Funds	5,252,482	
Capital Projects Funds	30,253,931	
Debt Service Funds	13,321,777	
Proprietary Funds	1,428,083	
Fiduciary Funds	8,481,256	
		$ 82,789,545
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	406,029,181	
Accumulated depreciation is:	(106,374,168)	
		299,655,013
Amounts held in trust on behalf of others (Trust Funds)		(8,473,683)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(763,197)
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) are included with governmental activities.		11,467,120
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	10,126,407	
Net change in proportionate share of net pension liability	3,925,666	
Differences between projected and actual earnings on the pension plan investments	1,487,317	
Differences between expected and actual experience in the measurement of the total pension liability	1,792,128	
Changes of assumptions	18,894,881	
Total Deferred Outflows of Resources Related to Pensions		36,226,399

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (1,440,145)	
Differences between projected and actual earnings on the pension plan investments	(1,813,482)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,187,635)	
Changes of assumptions	(506,207)	
Total Deferred Inflows of Resources Related to Pensions		$ (4,947,469)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		1,874,676
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds and notes payable	188,701,408	
Compensated absences (vacations)	1,728,710	
Energy optimization loan	72,538	
Aggregate net OPEB liability	4,441,296	
Aggregate net pension obligation	111,086,615	
		(306,030,567)
Total Net Position		**$ 111,797,837**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance, as they have obtained a negotiated rate of 30 percent through June 30, 2018.

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Chaffey Community College District (the District) as of and for the year ended June 30, 2018, 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 7, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on Compliance for Each Major Federal Program

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Chaffey Community College District
Rancho Cucamonga, California

Report on State Compliance

We have audited Chaffey Community College District's (the District) compliance with the types of compliance requirements as identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District does not offer Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHAFFEY COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063	Student Financial Assistance Cluster
84.031C, 84.031S	Title III STEM; Developing Hispanic Serving Institutions Program (Title V)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 947,667
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.