

**CITY OF CHICO
TRANSPORTATION FUND**

Audited Financial Statements
and Compliance Report

June 30, 2022 and 2021

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Chico, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Fund (the Fund) of the City of Chico (the City), as of and for years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Fund of the City of Chico as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Chico and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transportation Fund of the City of Chico and do not purport to, and do not, present fairly the financial position of the City of Chico as of June 30, 2022 and 2021, the changes in financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that

To the City Council
City of Chico, California

an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023 on our consideration of the City's internal control over financial reporting related to the Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, and the Transportation Development Act. 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 City'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 City's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 10, 2023

CITY OF CHICO
TRANSPORTATION FUND

BALANCE SHEETS

June 30, 2022 and 2021

| | 2022 | 2021 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and investments | \$ 5,513,965 | \$ 4,618,125 |
| Accounts receivable | - | 500 |
| Due from other governments | 279,449 | 840 |
| TOTAL ASSETS | \$ 5,793,414 | \$ 4,619,465 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | \$ 149,240 | \$ 18,573 |
| Accrued salaries and benefits | 8,278 | 10,051 |
| TOTAL LIABILITIES | 157,518 | 28,624 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenues | 276,609 | |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 276,609 | - |
| FUND BALANCE | | |
| Restricted for transportation projects | 5,132,284 | 4,392,510 |
| Restricted for transit/rail | 227,003 | 198,331 |
| TOTAL FUND BALANCE | 5,359,287 | 4,590,841 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 5,793,414 | \$ 4,619,465 |

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

CITY OF CHICO
TRANSPORTATION FUND

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---------------------------------------|--------------|--------------|
| REVENUES | | |
| Local Transportation Funds: | | |
| Transit | | \$ 82,096 |
| Streets and roads | \$ 1,951,110 | 2,318,939 |
| Pedestrian and bicycle | 678,110 | 739,054 |
| Passenger rail and capital operations | 119,545 | 53,767 |
| Other grants | 195,000 | - |
| Use of money and property | (178,313) | 37,992 |
| Miscellaneous revenue | 1,950 | 2,130 |
| TOTAL REVENUES | 2,767,402 | 3,233,978 |
| EXPENDITURES | | |
| Contributions for transit service | 54,099 | 13,404 |
| Streets and roads | 1,671,271 | 1,318,336 |
| Pedestrian and bicycle | 129,612 | 65,525 |
| Passenger rail | 35,910 | 32,560 |
| Transit administration | 8,064 | 5,326 |
| TOTAL EXPENDITURES | 1,898,956 | 1,435,151 |
| EXCESS OF REVENUES OVER EXPENDITURES | 868,446 | 1,798,827 |
| OTHER FINANCING SOURCES/USES | | |
| Transfers in | - | 38 |
| Transfers out | (100,000) | (100,000) |
| TOTAL OTHER FINANCING SOURCES/USES | (100,000) | (99,962) |
| NET CHANGE IN FUND BALANCE | 768,446 | 1,698,865 |
| Fund balance at beginning of year | 4,590,841 | 2,891,976 |
| FUND BALANCE AT END OF YEAR | \$ 5,359,287 | \$ 4,590,841 |

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

CITY OF CHICO
TRANSPORTATION FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – ORGANIZATION

The City of Chico (the City) receives funds under the provisions of the Transportation Development Act (TDA) from the Butte County Local Transportation Fund (LTF) primarily under Article 8, Sections 99400(a), 99400(b) and 99402. The funds represent amounts available after the determination by the Butte County Association of Governments (BCAG), the transportation planning agency administering TDA funds, of amounts needed to meet the transportation needs of the City not otherwise being met. The City's Article 8, Section 99400(a) LTF funds are to be used for local street and road projects. The City's Article 8, Section 99400(b) LTF funds are to be used for passenger rail service and capital improvements. The City's Article 8, Section 99402 LTF Funds are to be used for development, contribution, and maintenance of the City's streets and highways network, including planning and contributions to the transportation planning process, acquisition of real property, and construction of facilities and buildings. The City contracts for bus services through BCAG's transit fund, Butte Regional Transit (BRT), and BRT claims Article 4 LTF and State Transit Assistance funds directly to support the transportation system. The Transportation Fund is used to account for these TDA funds received by the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Transportation Fund (the Fund) of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The financial statements are intended to present the financial position and results of operations of only those transactions recorded in the Fund. The Fund is included in the financial statements of the City.

Fund Accounting: The accounts of the City are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The City utilizes the special revenue fund type of the governmental fund group to account for the activities of the Transportation Fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by special revenue funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is generally 90 days. LTF revenues are recognized when all eligibility requirements have been met and the amounts are received within 90 days. Revenues that do not meet this availability period are deferred inflows of resources. Expenditures are recorded when the related fund liability is incurred.

When restricted and non-restricted type resources are available for use, it is the City's policy to use restricted resources first, then non-restricted resources as they are needed.

CITY OF CHICO
TRANSPORTATION FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources: Deferred inflows of resources in governmental funds arise when a potential revenue source does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources consisted of TDA revenues for which all eligibility requirements had been met at year end, but the amounts were not received from BCAG within the 90-day availability period.

Fund Balance: Restrictions of fund balance represent amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. The restrictions of fund balance are according to the provisions of the Transportation Development Act. Nonspendable fund balance represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as “advances to other funds” are included.

NOTE C – CASH AND INVESTMENTS

The Transportation Fund’s cash is held in the City Treasury. The City maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the City’s investment pool are available on demand to the TDA Fund and are stated at cost, which approximates fair value. The City’s investment policy, interest rate risk, and credit risk may be found in the notes to the City’s basic financial statements.

NOTE D – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30:

| | 2022 | 2021 |
|---|------------|--------|
| Butte County Association of Governments | | |
| Downtown Transit Center rent | \$ 500 | \$ 840 |
| Other | 2,340 | |
| Transportation Development Act: | | |
| Local Transportation Fund | | |
| Fiscal year 2021/2022 | 276,609 | |
| Total due from other governments | \$ 279,449 | \$ 840 |

NOTE E – FARE REVENUE RATIO

Transit operators are required to maintain a fare revenue to operating expenses ratio in order to be eligible for TDA funding. Since the City contracts with BRT for its transit services, no fare revenues are recorded in the City of Chico Transportation Fund financial statements. A fare revenue ratio is calculated for BRT in the BCAG audited financial statements.

NOTE F – TRANSFERS

In both 2022 and 2021, the City transferred \$100,000 from the Transportation Fund to the General Fund in accordance with the City’s indirect cost reimbursement plan for administrative expenses associated with the planning of local streets and roads projects and for allowable Article 8, streets and roads maintenance expenditures.

In 2021, the City transferred \$38 from the General Fund to the Transportation Fund for response efforts related to COVID-19 from Coronavirus Aid, Relief, and Economy Security Act funds.



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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*
AND THE TRANSPORTATION DEVELOPMENT ACT

To the City Council
City of Chico, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Fund (the Fund) of the City of Chico (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated February 10, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the City were expended in conformance with the applicable statutes, rules and regulations of the TDA and Sections 6666 and 6667 of the California Code of Regulations. 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* or the TDA.

To the City Council
City of Chico, California

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the TDA in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

February 10, 2023