

**CITY OF CHICO
TRANSPORTATION FUND**

Audited Financial Statements
and Compliance Report

June 30, 2021 and 2020

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TRANSPORTATION FUND

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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

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, 2021 and 2020, and the related notes to the 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, 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.

To the City Council
City of Chico, California

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, 2021 and 2020, 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.

Other Matters

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 January 28, 2022 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

January 28, 2022

CITY OF CHICO
TRANSPORTATION FUND

BALANCE SHEETS

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and investments	\$ 4,618,125	\$ 3,095,442
Accounts receivable	500	
Due from other governments	840	483,480
TOTAL ASSETS	\$ 4,619,465	\$ 3,578,922
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 18,573	\$ 202,815
Accrued salaries and benefits	10,051	7,315
Retentions payable		836
TOTAL LIABILITIES	28,624	210,966
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues		475,980
TOTAL DEFERRED INFLOWS OF RESOURCES	-	475,980
 FUND BALANCE		
Restricted for transportation projects	4,392,510	2,785,456
Restricted for transit/rail	198,331	106,520
TOTAL FUND BALANCE	4,590,841	2,891,976
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,619,465	\$ 3,578,922

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, 2021 and 2020

	2021	2020
REVENUES		
Local Transportation Funds:		
Transit	\$ 82,096	\$ 54,127
Streets and roads	2,318,939	527,783
Pedestrian and bicycle	739,054	1,259,291
Passenger rail and capital operations	53,767	51,144
Use of money and property	37,992	52,685
Miscellaneous revenue	2,130	1,530
TOTAL REVENUES	3,233,978	1,946,560
EXPENDITURES		
Contributions for transit service	13,404	28,595
Streets and roads	1,318,336	588,742
Pedestrian and bicycle	65,525	45,125
Passenger rail	32,560	37,994
Transit administration	5,326	21,560
TOTAL EXPENDITURES	1,435,151	722,016
EXCESS OF REVENUES OVER EXPENDITURES	1,798,827	1,224,544
OTHER FINANCING SOURCES/USES		
Transfers in	38	11,624
Transfers out	(100,000)	(100,000)
TOTAL OTHER FINANCING SOURCES/USES	(99,962)	(88,376)
NET CHANGE IN FUND BALANCE	1,698,865	1,136,168
Fund balance at beginning of year	2,891,976	1,755,808
FUND BALANCE AT END OF YEAR	\$ 4,590,841	\$ 2,891,976

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

CITY OF CHICO
TRANSPORTATION FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 and STAF 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, 2021 and 2020

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:

	2021	2020
Butte County Association of Governments		
Downtown Transit Center rent	\$ 840	\$ 7,500
Transportation Development Act:		
Local Transportation Fund		
Fiscal year 2019/2020		475,980
Total due from other governments	\$ 840	\$ 483,480

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 2021 and 2020, 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 Economic Security Act funds. In 2020, the City transferred \$11,624 from the Parking Fund to the Transportation Fund to cover the costs of the downtown employee ridership program.



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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, 2021, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated January 28, 2022.

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

January 28, 2022