

CITY OF CHICO
PASSENGER FACILITY
CHARGES REPORT
YEAR ENDED JUNE 30, 2022



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CITY OF CHICO

**PASSENGER FACILITY
CHARGES REPORT**

YEAR ENDED JUNE 30, 2022

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON
THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**

To the Honorable Mayor and City Council
City of Chico, California

Report on Compliance for the Passenger Facility Charge Program

Qualified Opinion

We have audited the City of Chico's (the City) compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), for its passenger facility charge program for the year ended June 30, 2022.

Qualified Opinion on the Passenger Facility Charge Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program for the year ended June 30, 2022.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the Federal Aviation Administration. Our responsibilities under those standards and the Federal Aviation Administration are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Qualified Opinion on the Passenger Facility Charge Program

As described in the accompanying schedule of findings and recommendations, the City did not comply with requirements regarding reporting for the Passenger Facility Charge Program.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Federal Aviation Administration, we:

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

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant

deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and recommendations as item 2022-001 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and recommendations. City of Chico's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Federal Aviation Administration. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charges

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chico, as of and for the year ended June 30, 2022, and the notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 27, 2023 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 standard generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Roseville, California
February 27, 2023

CITY OF CHICO
SCHEDULE OF PASSENGER FACILITY CHARGES
YEAR ENDED JUNE 30, 2022

<u>Program Description</u>	<u>Beginning PFC Asset Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending PFC Asset Balance</u>
FEDERAL AVIATION ADMINISTRATION				
Passenger Facility Charges (PFC): Application No. 10-05-C-00-CIC	\$ 361,225	\$ (12,748)	\$ -	\$ 348,477
Total	<u>\$ 361,225</u>	<u>\$ (12,748)</u>	<u>\$ -</u>	<u>\$ 348,477</u>

See accompanying Notes to Schedule of Passenger Facility Charges.

CITY OF CHICO
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
JUNE 30, 2022

NOTE 1 PROGRAM DESCRIPTION

The Schedule of Passenger Facility Charges presents only the activity of the Passenger Facility Charges (PFC) Program of the City of Chico.

PFC are fees imposed by the City on enplaned passengers for the purpose of generating revenue for City projects that increase capacity, increase safety and/or mitigate noise impact.

NOTE 2 BASIS OF ACCOUNTING

The Schedule of Passenger Facility Charges is prepared using the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenditures are recognized when the related liability is incurred.

CITY OF CHICO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2022

2022 – 001

Type of Finding:

- Material Weakness in internal control over Compliance
- Material Noncompliance with Passenger Facility Charge Program

Condition: We noted the City did not submit and was not able to produce the SOAR reports for the 2022 audit period.

Criteria: Section 158.63 requires that the public agency provide quarterly reports to carriers collecting PFC revenues for the public agency, with a copy to the appropriate Federal Aviation Administration (FAA) airport's office. Per the Passenger Facility Charge Audit Guide for Public Agencies, data from the quarterly reports should reconcile to supporting documentation and accounting records maintained by the public agency.

Context: Without the SOAR reports, we are unable to compare the City's records with the FAA's records.

Effect: By not submitting the SOAR reports, the City is at risk of noncompliance with section 158.63.

Cause: Based on our discussion with City management, the City has reached out to the FAA several times to discuss obtaining and reconciling reports from the SOAR system. The City is awaiting a solution from the FAA on how best to correct the SOAR accounting in order to obtain accurate reports from SOAR to submit by the deadline.

Recommendation: This is a repeat finding from the fiscal year 2021 audit. We recommend that the City continue to work with FAA representatives to obtain accurate reports from the FAA SOAR reporting module that reconcile back to the City's accounting records.

Views of responsible officials and planned corrective actions: The City has continued multiple discussions with the FAA regarding the status of the FAA SOAR system and the reconciliation differences that occurred in prior years. The City will continue to work with the FAA to adjust the SOAR reporting.



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