

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)

Independent Auditors' Report and
Financial Statements

June 30, 2023



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CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
June 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Chico Urban Joint Powers Financing Authority
Chico, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Chico Urban Area Joint Powers Financing Authority (the "Authority"), a component unit of the City of Chico, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 respective financial position of the governmental activities and the major fund of the Authority as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

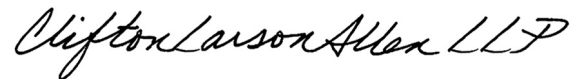
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Supplemental Budgetary Comparison Schedule for the Capital Projects Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Supplemental Budgetary Comparison Schedule for the Capital Projects Fund 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 15, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Authority'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 Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
December 15, 2023

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)

**Statement of Net Position and
Governmental Funds Balance Sheet
June 30, 2023**

	Capital Projects Fund	Adjustments (Note II D)	Statement of Net Position
Assets			
Current assets:			
Restricted cash and investments	\$ 3,444,685	\$ -	\$ 3,444,685
Total assets	<u>\$ 3,444,685</u>	<u>\$ 0</u>	<u>\$ 3,444,685</u>
Liabilities			
Current liabilities:			
Loans payable - due within one year	\$ -	\$ 1,195,793	\$ 1,195,793
Total current liabilities	<u>-</u>	<u>1,195,793</u>	<u>1,195,793</u>
Noncurrent liabilities:			
Loans payable - due in more than one year	-	20,328,484	20,328,484
Total non-current liabilities	<u>-</u>	<u>20,328,484</u>	<u>20,328,484</u>
Total liabilities	<u>-</u>	<u>21,524,277</u>	<u>21,524,277</u>
Fund Balance/Net Position			
Fund balances:			
Restricted for sewer projects and debt service	3,444,685	(3,444,685)	
Total Liabilities and Fund Balance	<u>\$ 3,444,685</u>		
Net Position:			
Unrestricted		(18,079,592)	(18,079,592)
Total net position (deficit)		<u>\$ (18,079,592)</u>	<u>\$ (18,079,592)</u>

See accompanying notes to the financial statements

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)

**Statement of Activities and
Governmental Fund Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2023**

	Capital Projects Fund	Adjustments (Note II D)	Statement of Activities
Expenditures:			
Administrative expenses	\$ 35,116	\$ -	\$ 35,116
Principal retirement	1,195,793	(1,195,793)	-
Interest accretion	-	-	-
Total expenditures/expenses	<u>1,230,909</u>	<u>(1,195,793)</u>	<u>35,116</u>
Program revenues:			
Intergovernmental revenue	1,900,000	(1,900,000)	-
Capital grants and contributions	-	1,900,000	1,900,000
Total program revenues	<u>1,900,000</u>	<u>-</u>	<u>1,900,000</u>
Net program (expense) revenue	669,091	1,195,793	1,864,884
General revenues:			
Investment earnings	<u>10,784</u>	-	<u>10,784</u>
Total general revenues	<u>10,784</u>	-	<u>10,784</u>
Excess (deficiency) of revenues over expenditures	<u>679,875</u>	<u>1,195,793</u>	<u>1,875,668</u>
Change in fund balance/net position	679,875	1,195,793	1,875,668
Fund balance/net position (deficit):			
Beginning of the year	<u>2,764,810</u>	<u>(22,720,070)</u>	<u>(19,955,260)</u>
End of the year	<u>\$ 3,444,685</u>	<u>\$ (21,524,277)</u>	<u>\$ (18,079,592)</u>

See accompanying notes to the financial statements

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

In August 2005, the governing boards of the Chico Redevelopment Agency, which due to State Assembly Bill 1X 26 is now known as the City of Chico, Successor Agency to the Chico Redevelopment Agency (Agency) and the County of Butte established a joint powers agency known as the Chico Urban Area Joint Powers Financing Authority (JPFA) to facilitate the financing, construction and installation of sewer facilities and improvements in the greater Chico urban area. The JPFA was formed pursuant to the provisions of the joint powers laws of the State of California, as set forth in Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Government Code Section 6500). The JPFA is authorized to obtain state or federal loans for the purpose of financing the construction and installation of sewer facilities and improvements. The activity of the JPFA is included in the City of Chico's financial statements as a discretely presented component unit due to the close relationship and financial integration with the City,

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the JPFA. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Investment earnings and other items which are excluded from program revenues are reported instead as general revenues.

Separate financial statements are provided for the JPFA's major governmental fund and are reported as a separate column in the fund financial statements.

C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the JPFA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment earnings are considered to be susceptible to accrual and have been recognized as revenue of the current period. Other revenues are considered to be measurable and available only when cash is received by the JPFA.

The activities of the JPFA are accounted for in a capital projects fund.

When both restricted and unrestricted resources are available for use, it is the JPFA's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Capital Assets/Construction Expenses

Although the JPFA's sole purpose is to construct infrastructure to facilitate the installation of sewer connections for residents located in the benefited area, the infrastructure is ultimately conveyed to the City of Chico, and as a result, the construction costs of the sewer infrastructure are shown as construction expenses (not capital assets) in these financial statements. As the construction occurs, the infrastructure is conveyed to the City of Chico's Sewer Enterprise Fund as capital assets.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities and, in the fund financial statements; the face amount of debt issued is reported as other financing sources.

Fund Equity

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution or external resource providers.

Net Position

Net position is classified as unrestricted net position which is not restricted for any project or any other purpose. Negative net position occurs when liabilities of the JPFA exceed the assets. In the case of the JPFA, it is assuming the debt of the project, but does not own the assets which creates a negative net position.

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

II. DETAILED NOTES

A. CASH AND INVESTMENTS

Cash and investments held for the JPFA are included in and inseparable from the City’s pooled cash and investments. See Note 2 of the City of Chico ACFR for more information on the investment policies of the City as well as the related credit, custodial credit, concentration credit, and interest rate risk applicable to the City’s pooled Funds.

June 30, 2023 equity in pooled cash and investments is \$3,444,685.

B. PROGRAM REVENUES/ANNUAL CONTRIBUTION

After formation of the JPFA in August 2007, it obtained a loan (the Loan) from the California State Water Resources Control Board (SWRCB) to finance the construction and installation of sewer facilities and improvements in the Greater Chico Urban Area Redevelopment Project Area. The Agreement with the State obligated the Chico Redevelopment Agency to contribute to repay the loan, in the amount of \$1,900,000 per year for each year commencing with the effective date of the Agreement and ending with the fiscal year in which the last payment is due on the Loan. Neither the City nor the County have any obligation to make the loan payments under the Loan Agreement. The Loan Agreement provides that the sole source of contributions to the JPFA is the pledge by the Redevelopment Agency which, post-dissolution is the obligation of the Successor Agency. On December 17, 2013, the State Department of Finance confirmed that the annual \$1,900,000 payments were considered an enforceable obligation. As of June 30, 2023, \$22,800,000 has been received by the JPFA from the Redevelopment Agency and Successor Agency to the Redevelopment Agency.

C. RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total governmental fund balance	\$3,444,685
Amounts reported for governmental activities in the statement of net position are different because:	
Loans payable are not due and payable in the current period and, therefore are not reported in the funds.	<u>(21,524,277)</u>
Net position of governmental activities	<u><u>\$(18,079,592)</u></u>

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

II. DETAILED NOTES (Continued)

D. RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental fund	<u>\$679,875</u>
Amounts reported for governmental activities in the statement of activities are different because:	
The issuance of long-term debt (e.g. loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, affects net position. This amount is the net effect of differences in the treatment of long-term debt related items.	1,195,793
Accreted interest on the long-term debt does not provide financial resources to governmental funds, however, it will be due and payable in the Statement of Net Position.	<u>-</u>
Change in net position of governmental activities	<u><u>\$1,875,668</u></u>

E. LONG-TERM DEBT

Loans Payable

A loan in the amount of \$38,000,000, has been approved by the SWRCB for the JPFA's Nitrate Compliance Program. During the life of the project, the Loan Program allows the JPFA to make loan draws at 83.33% of the project cost, while requiring the JPFA to recognize 16.67% as a local match to be included as an additional loan amount payable to the State. The JPFA records the additional loan amount as accreted interest in the Statement of Activities due to the cost of obtaining the 0% loan from the SWRCB. As of June 30, 2023, construction draws on the loan were \$23,915,863, while the local match totals \$3,986,057. Annual payments are due in June each year in the amount of \$1,195,793. The JPFA will use the \$1,900,000 received annually from the Agency to pay the debt when it becomes due.

Changes to the JPFA's long-term debt for the year ended June 30, 2023 were as follows:

	<u>July 1, 2022</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Due Within One Year</u>
Loans Payable:				
State Revolving Fund Loan	<u>\$22,720,070</u>	<u>\$(1,195,793)</u>	<u>\$21,524,277</u>	<u>\$1,195,793</u>

Total accumulated accreted interest as of June 30, 2023 was \$3,986,057.

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures:				
Administrative	\$ 35,116	\$ 35,116	\$ 35,116	\$ -
Principal retirement	-	1,195,793	1,195,793	-
Total expenditures	<u>35,116</u>	<u>1,230,909</u>	<u>1,230,909</u>	<u>-</u>
Program revenues:				
Intergovernmental revenue	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,900,000</u>	<u>-</u>
Net program (expenditure) revenue	1,864,884	669,091	669,091	-
General revenues:				
Investment earnings	<u>20,000</u>	<u>-</u>	<u>10,784</u>	<u>10,784</u>
Change in fund balance/net position	<u>1,884,884</u>	<u>669,091</u>	<u>679,875</u>	<u>10,784</u>
Fund balance:				
Beginning of the year	<u>3,027,823</u>	<u>2,764,810</u>	<u>2,764,810</u>	<u>-</u>
End of the year	<u>\$ 4,912,707</u>	<u>\$ 3,433,901</u>	<u>\$ 3,444,685</u>	<u>\$ 10,784</u>



INDEPENDENT AUDITORS' 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 Directors
Chico Urban Area Joint Powers Financing Authority
Chico, 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 governmental activities, and the major fund information of Chico Urban Area Joint Powers Financing Authority (the "Authority"), a component unit of the City of Chico, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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 material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

Board of Directors
Chico Urban Area Joint Powers Financing Authority

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Roseville, California
December 15, 2023



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