
FINANCE COMMITTEE AGENDA – Regular Meeting

A Committee of the Chico City Council: Councilmember Bennett, Mayor Coolidge, and Chair Morgan

Meeting of Wednesday, December 22, 2021 – 8:30 a.m. to 10:30 a.m.

Meeting Location: This meeting is being held virtually via Zoom

PUBLIC PARTICIPATION: Due to the recent universal masking indoors mandate issued by the California Department of Public Health and to protect the health of its citizens, the Finance Committee meeting is being held virtually via Zoom. The public is invited to participate in the meeting using the information below to login into the meeting. If you need guidance on participation via Zoom, please contact the City Clerk's office at 530-896-7250, 24 hours prior to the start of the meeting.

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/84314195398?pwd=WG1uK0FFWEFDRkJ4SjByK0FhV05pZz09>

Passcode: Finance

Using your telephone: Dial toll free 877 853 5247 or 888 788 0099 or 833 548 0276 or 833 548 0282

Webinar ID: 843 1419 5398

Passcode: 4290309

REGULAR AGENDA

A. REVIEW OF ANNUAL AUDITED FINANCIAL REPORTS

The certified public accounting firm of CliftonLarsonAllen LLP (CLA) was engaged by the City Council to perform an audit of the financial statements and perform compliance testing of the City of Chico, Chico Passenger Facility Charges and Chico Urban Area Joint Powers Financing Authority for the fiscal year ended June 30, 2021. CLA issued unmodified (clean) audit opinions on all financial statements. CLA management will present the results of the audit to Finance Committee. Upon Finance Committee recommendation, these reports will be forwarded to City Council for acknowledgement and receipt.

Recommendation: *The Administrative Services Director recommends the Finance Committee review and forward to Council the 2021 Audit Financial Reports for final approval.*

B. BUDGET MODIFICATION APPROVAL/AUTHORITY REVIEW

The goal of the budget approval process is to establish the programs, projects, personnel, and funding levels for the coming fiscal year. Industry-wide, the common authority level of city councils/governing bodies is at the Fund level. **(Report – Barbara Martin, Deputy Director – Finance)**

Recommendation: *The Deputy Director - Finance recommends the Finance Committee forward a recommendation to Council to consider changing from category level approval to Fund level by Department approval for budget modifications.*

C. **BUSINESS FROM THE FLOOR** - *Members of the public may address the Committee at this time on any matter not already listed on the agenda, with comments being limited to three minutes. The Committee cannot take any action at this meeting on requests made under this section of the agenda.*

D. **ADJOURNMENT** - The meeting will adjourn no later than 10:30 a.m. to the next regular Finance Committee Meeting on January 26, 2022 at 8:30 a.m. in Conference Room 1 at 421 Main St.

SPEAKER ANNOUNCEMENT

NOTE: Citizens and other interested parties are encouraged to participate in the public process and will be invited to address the Committee regarding each item on the agenda using Zoom.

Instructions for using Zoom

- Join the meeting using the link above.
- You must have audio and microphone capabilities on the device you are using to join the meeting.
- When you join the meeting make sure that you join the meeting with audio and follow the prompts to test your speaker & microphone prior to joining the meeting.

To speak on an item using Zoom

- The Chair will call the item and staff will begin the staff report.
- Click on the Raise Hand icon if you would like to speak on the item. The City Clerk will call your name when it's your turn to speak.
- When your name is called, you will be prompted to unmute yourself.
- When your time is up, you will be muted.
- You will repeat this process for each item you want to speak on.

Distribution available in the office of the City Clerk

Posted: 12/17/21 prior to 5:00 p.m. at 421 Main St. Chico, CA 95928 and www.ci.chico.ca.us

Copies of the agenda packet are available for review at: City Clerk's Office, 411 Main St. Chico, CA.



Please contact the City Clerk at 896-7250 should you require an agenda in an alternative format or if you need to request a disability-related modification or accommodation in order to participate in a meeting. This request should be received at least three working days prior to the meeting in order to accommodate your request.



Finance Committee Agenda Report

Meeting Date: 12/22/21

TO: Finance Committee
FROM: Kathryn Mathes, Accounting Manager
RE: Review of June 30, 2021 Audited Financial Reports

REPORT IN BRIEF:

The certified public accounting firm of CliftonLarsonAllen LLP (CLA) was engaged by the City Council to perform an audit of the financial statements and perform compliance testing of the City of Chico, Chico Passenger Facility Charges and Chico Urban Area Joint Powers Financing Authority for the fiscal year ended June 30, 2021. CLA issued unmodified (clean) audit opinions on all financial statements. CLA management will present the results of the audit to Finance Committee. Upon Finance Committee recommendation, these reports will be forwarded to City Council for acknowledgement and receipt.

Recommendation: The Administrative Services Director recommends the Finance Committee review and forward to Council the following reports for final approval:

- City of Chico Annual Comprehensive Financial Report (ACFR)
- Single Audit Report
- Report to Management – “Auditors’ Communication With Those Charged With Governance”
- City of Chico Passenger Facility Charges Report
- Chico Urban Area Joint Powers Financing Authority Report
- Appropriations Limit Report

FISCAL IMPACT:

N/A

BACKGROUND:

Pursuant to the provisions of Sections 908 and 1109 of the City’s Charter, an independent auditor, hired by the Council to perform an annual audit of the books, financial records and related documents of the City in accordance with generally accepted auditing standards, shall submit to the Council a report on the audit for the preceding fiscal year on or before the first regular meeting in February, unless an extension is granted by the Council. Staff is pleased to report that no extension is required this year.

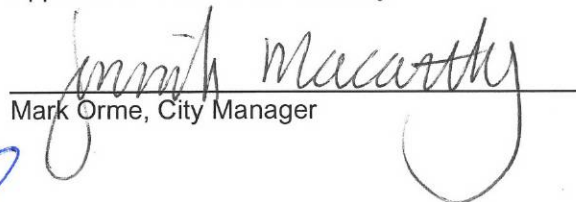
DISCUSSION:

In addition to the unmodified (clean) audit opinions noted above, Staff is happy to state that CLA had no management findings, material weaknesses or significant deficiencies to report during the audit of the CAFR.

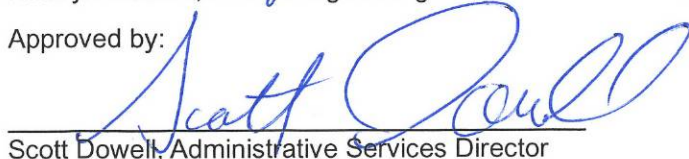
Prepared by:

Approved and recommended by:


Kathryn Mathes, Accounting Manager


Mark Orme, City Manager

Approved by:


Scott Dowell, Administrative Services Director

ATTACHMENTS:

- City of Chico Annual Comprehensive Financial Report, Single Audit Report, Report to Management, City of Chico Passenger Facility Charges Report, Chico Urban Area Joint Powers Financing Authority Report and Appropriations Limit Report

DISTRIBUTION:

City Clerk (3), City Manager, City Attorney

REVIEW OF ANNUAL AUDITED FINANCIAL REPORTS

The certified public accounting firm of CliftonLarsonAllen LLP (CLA) was engaged by the City Council to perform an audit of the financial statements and perform compliance testing of the City of Chico, Chico Passenger Facility Charges and Chico Urban Area Joint Powers Financing Authority for the fiscal year ended June 30, 2021. CLA issued unmodified (clean) audit opinions on all financial statements. CLA management will present the results of the audit to Finance Committee. Upon Finance Committee recommendation, these reports will be forwarded to City Council for acknowledgement and receipt.

Recommendation: The Administrative Services Director recommends the Finance Committee review and forward to Council the 2021 Audit Financial Reports for final approval.

CITY OF CHICO

Chico, California



Comprehensive Annual Financial Report **Year Ended June 30, 2021**

Prepared by:
Chico Finance Department

CITY OF CHICO, CALIFORNIA
 June 30, 2021
TABLE OF CONTENTS

INTRODUCTORY SECTION

Transmittal Letter.....	i - v
Directory of City Officials	vi
Structure of City Government.....	vii
GFOA Certificate of Achievement	viii

FINANCIAL SECTION

Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Required Supplementary Information).....	4 - 15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds ...	23
Statement of Cash Flows – Proprietary Funds.....	24 - 25
Statement of Custodial Net Position – Custodial Funds	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27
Notes to Basic Financial Statements.....	28 - 71
Required Supplementary Information:	
Schedules of Changes in Net Pension Liability and Related Ratios – CalPERS Miscellaneous Retirement Plan (Unaudited)	70
Schedules of Changes in Net Pension Liability and Related Ratios – CalPERS Safety Retirement Plan (Unaudited)	71
Schedule of Contributions – CalPERS Retirement Plans (Unaudited)	72
..... Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	73 - 74
Budget and Actual – CDBG and Home Housing Fund (Major Special Revenue Fund)	75
Budget and Actual – Low and Moderate Income Housing Asset Fund (Major Special Revenue Fund)	76
Notes to Required Supplementary Information.....	77
Supplemental Budgetary Comparisons (Major Capital Projects Funds):	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Grants Fund	78
Budget and Actual – Public Facilities Impact Fee Funds	79
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	80

CITY OF CHICO, CALIFORNIA
 June 30, 2021
TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	81
Combining Balance Sheet – Nonmajor Special Revenue Funds	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	83
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Funds:	
Operating Grants Fund	84
Community Maintenance Districts Fund.....	85
Transportation Fund	86
Gas Tax Fund	87
Other Special Revenue Funds	88
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	90
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Capital Projects Funds:	
Capital Improvements Fund	91
Bond Proceeds Fund.....	92
Fleet Replacement and Facility Maintenance Fund	93
Remediation Fund	94
Public Infrastructure Replacement	95
Internal Service Funds:	
Combining Statement of Net Position	96
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	97
Combining Statement of Cash Flows	98 - 99

STATISTICAL SECTION (UNAUDITED)

Financial Trends:	
Net Position by Component.....	100
Changes in Net Position	101 - 102
Fund Balances of Governmental Funds	103
Changes in Fund Balances of Governmental Funds.....	104
Revenue Capacity:	
General Governmental Tax Revenues by Source.....	105
Assessed Value and Estimated Actual Value of Taxable Property	106
Property Tax Rates-Direct and Overlapping Governments.....	107
Principal Secured Property Taxpayers	108
Property tax levies and Collections	109

CITY OF CHICO, CALIFORNIA
June 30, 2021
TABLE OF CONTENTS (CONTINUED)

STATISTAC SECTION (Continued)

Debt Capacity:	
Ratio of Outstanding Debt by Type.....	110
Direct and Overlapping Government Activities Debt	111
Legal Debt Margin	112
Pledged-Revenue Coverage	113
Demographic and Economic Information:	
Demographic and Economic Statistics	114
Sales Value History	115
Principal Employers	116
Taxable Sales by Category	117
Operating Information:	
Full-time and Part-time City of Chico Employees by Function.....	118
Operating Indicators by Function.....	119
Capital Asset Statistics by Function.....	120



**ADMINISTRATIVE
SERVICES DEPARTMENT**

411 Main Street – 1st Floor (530) 879-7300
P.O. Box 3420 Fax (530) 895-4656
Chico, CA 95927 <http://www.ci.chico.ca.us>

December 1, 2021

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Chico:

The City of Chico (City) submits to you its Annual Financial Report (AFR) for the year ended June 30, 2021. The Administrative Services Department publishes the AFR to provide information about the City to its citizens, the investment community, the general public, and others who may have an interest in the financial well-being of the City. The data presented is designed to help readers assess our financial condition and understand the services we provide to the citizens of the City of Chico. This letter of transmittal is designed to be read with and complement the Management’s Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditor.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Chico. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and fairly represent the financial position and changes in financial position of the City. Disclosures necessary to enable the reader to gain an understanding of the City’s financial affairs have been included.

The City has a comprehensive internal control framework that is designed to protect the City’s assets from loss, theft, or misuse and compile sufficient reliable information for the preparation of the City’s financial statements. Because the cost of internal controls should not outweigh their benefits, the City’s internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The Charter of the City of Chico requires an annual audit to be conducted by an independent auditor employed by the City Council. The audit report is to be prepared in accordance with auditing standards generally accepted in the United States of America (GAAP) and submitted to the City Council on or before the first regular City Council meeting in February. CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has audited the attached financial statements. Based on the results of the audit, the City of Chico’s financial statements for the fiscal year ended June 30, 2021, received an unmodified (“clean”) opinion in the independent auditor’s report (which is presented as the first component of the financial section of this report).

Profile of Chico

The City of Chico was founded in 1860 by General John Bidwell, and incorporated on February 5, 1872, with a population of approximately 1,000 persons in an area of 6.6 square miles. The incorporated area of the City of Chico has grown to over 30 square miles, with a population of 110,364.

Chico is the largest city in Butte County, located in the Northern Sacramento Valley approximately 90 miles north of Sacramento, and serves as the commercial center for a three-county regional market area. Chico supports a diverse range of industries including agriculture, recreation, tourism, education, medical,

and manufacturing. Chico is also the home of the second oldest institution in the California State University system, enrolling over 16,000 students annually.

Residents and visitors alike can sample locally grown almonds, bicycle in Bidwell Park (one of the largest municipally owned parks in the United States), tour the historic Bidwell Mansion, and take in the beauty of the California State University, Chico campus without having to stray too far from Chico's quaint and thriving downtown business district. A municipal airport and industrial park are situated in northern Chico.

The City is governed by a charter and operates under a Council-Manager form of government. The City Council consists of seven members representing seven separate geographical districts, elected to staggered four-year terms. An election held each November in even numbered years chooses either three or four council members. The Council selects a mayor and vice mayor from among its members to serve two-year terms. The mayor presides over the Council meetings, which are held on the first and third Tuesdays of each month. The City Council appoints a City Manager to implement its policies and directives, a City Clerk to maintain public records and manage the elections process, and a City Attorney to serve as its legal counsel.

The City provides a broad range of services including: police and fire protection; construction and maintenance of streets and infrastructure; community development, including planning and zoning, building and safety, and housing activities; park and recreational activities; municipal airport; and general administrative services.

The budget serves as the foundation for financial planning and control for the City of Chico. Budgetary control is maintained to ensure compliance with legal provisions of the annual appropriated budget as approved and modified by the City Council. The City Charter requires the City Manager to present a proposed budget to the City Council by June 1 of each year. Budgetary control is at the department category level.

COVID-19

The outbreak of coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization in early 2020. Governor Newsom declared a state of emergency in the State on March 4, 2020 and the Chico City Council declared a state of emergency in the City on March 25, 2020. On March 19, 2020 the Governor signed an Executive Order ordering the shut-down of all non-essential business and mandated that all employees, other than essential workers, remain at home. The pandemic has continued to effect the global, national, regional and local economies.

COVID-19 has had a major impact on City operations in terms of service delivery. Like many cities, Chico transitioned to largely a virtual environment for meetings. Based on the City's experience in providing services through this new model, the City has improved its online capabilities and provided staff with technology that allows them to be productive outside of the office. Going forward, the City understands that much of the technology improvements that were forced on the City in reacting to the pandemic (virtual meetings, working from home, etc.) will be incorporated into how service will be provided in the future. The City will continue to evaluate opportunities to incorporate technology advancements into delivering services to the public.

Chico's Economic Condition

Local Economy

Aside from the COVID-19 effects, Chico's local economy continues to make steady positive progress and growth in the areas of economic development, housing market and employment.

One indicator of the local economy is the rate of unemployment. The unemployment rate for Chico increased from 5% as of June 2020 to 9% at June 2021 despite a rate of 11.6% statewide.

Another indicator of the local economy is community development. During the fiscal year, residential building permits were issued along with commercial building permits. This continues the strong building market that occurred during the year ended June 2012, when 346 residential building and 13 commercial building permits were issued.

The influences of the local economy impacts, including COVID-19, are evidenced by the following key City revenue sources, which increased during the fiscal year ended June 30, 2021 as follows:

- Sales Tax increased 7%
- Transient Occupancy Tax increased 2%

Sales Tax

Sales tax revenue, which accounts for over 40% of all General Fund revenue, experienced COVID-19 related losses in nearly all major industry groups except for building and construction, and food and drugs. Major industry groups changed as follows:

INDUSTRY	PERCENTAGE INCREASE
AUTOS AND TRANSPORTATION	21%
BUILDING AND CONTRUCTION	37%
BUSINESS AND INDUSTRY	-2%
FOOD AND DRIGS	4%
GENERAL CONSUMER GOODS	7%
RESTAURANTS AND HOTELS	-5%

Property Tax

Property tax revenue, which accounts for almost 21% of all General Fund revenue, increased 7% from the prior year. Property tax revenue is composed of numerous property related tax categories. Current secured property taxes increased 1%,. The local housing market is experiencing increased growth in construction of new homes and increased growth in the resale of existing homes. Indications are that the current level of growth will continue into the next year. Residual property tax revenue came into place following the dissolution of the City’s Redevelopment Agency. As the former Redevelopment Agency’s obligations are liquidated, the City receives a larger share of this property tax source. This year, the growth in residual property tax increased 13%.

Long-term Financial Planning

The City contracts with CalPERS to provide retirement benefits to retirees. The Unfunded Accrued Liability (UAL) associated with the retirement plan exceeds \$140,000,000 at June 30, 2021 and is reported on the attached financial statements. CalPERS has provided an estimated repayment schedule for over thirty years. City management has placed emphasis on planning for future repayments of the annual UAL. In fact, the annual UAL payment is paid in lump sum in July each year to reduce interest costs. These annual prepayments have resulted in over a \$1,500,000 interest savings over the last five years. In addition to prepayments, the City has created a Pension Stabilization Trust to help pay for future retirement payments. The City contracts with CalPERS to provide

Roads

The City’s roads are in disrepair. As such, this has caused an unrecorded liability for future road repair and replacement. The City continues to review options to fund these repairs including a potential general sales tax to go before the electorate in November 2022.

City management will continue to present Council with conservative budgets that provide consideration of City cash flows, and applicable fiscal controls that will ensure the City continues to improve financially.

Relevant Financial Policies

The City Council has adopted a number of fiscal policies (See Appendix C-10 of the City's Annual Budget for the complete set of fiscal policies) designed to preserve the fiscal integrity of the City's resources, some of which are listed below.

- **Operating Reserve** – The City Manager shall endeavor to present a Proposed Budget for the ensuing fiscal year which provides a balance in the General Fund to serve as an operating reserve in the amount of seven and one-half percent of the General Fund operating expenditures, or which the City Manager expects will reach seven and one-half percent by the time the books are closed at the end of the current fiscal year. These funds are available for allocation to cover unanticipated expenditures or major declines in revenue. This reserve is fully funded at June 30, 2021.
- **Emergency Reserve** – An Emergency Reserve has been established to help buffer the City from issues such as large fluctuations in revenues or catastrophic events. The desired level of this reserve is established at 20% of the General Fund operating expenditures. The reserve is fully funded at June 30, 2021.
- **Compensated Absence Reserve** – Compensated absences are defined as paid time off, such as vacation, sick leave and compensatory time off which becomes a City liability when the employee earns their right to the paid time off. This reserve is intended to accumulate funds to cover the City's liability with the intended target of reaching and maintaining a funding level of 50% of the City-wide liability. The balance in this reserve as of June 30, 2021 is \$1,500,000.
- **Replacement Funds** – The City maintains a number of internal replacement funds including a Technology Replacement Fund to accumulate funds for the replacement of technological equipment, a Fleet Replacement Fund for the replacement of the City's vehicle fleet, and a Facilities Maintenance Fund for the repair and maintenance of City-owned facilities. Annual contributions are made from the funds owning such equipment or vehicles, based on the estimated cost to replace the item at the end of its useful life. Although the replacement funds are underfunded, the net fund balances of all replacement funds were \$2,736,595 as of June 30, 2021.

The Future

The future is hopeful! Despite the challenges of COVID-19, pension costs, capital infrastructure and resident sheltering challenges; the City is poised to grow and excel. The City is currently exploring the following:

- **Sales Tax** - A tax measure will be presented to the general public in November 2022. The purpose of the general sales tax is to provide resources to meet the City's financial needs over the next several years. Proceeds could be utilized to fund fire and police services, fund capital infrastructure include roads and maintain parks.
- **Broadband** – The City is working on a broadband master plan to address issues like the digital divide and provide fast, reliable and inexpensive internet services. The goal of the plan is to provide the City a roadmap to provide reliable fiber technology throughout the City that can be used for education, commerce, medical and safety over the next 40 years.
- **Capital Infrastructure** – the City continues to seek grants and possible sales tax revenue to repair or replace the existing aging roadway.

In addition to these projects, the City Council and City Staff continue to explore all opportunities to create the best Chico possible!


Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chico for its Annual Financial Report for the fiscal year ended June 30, 2020. This was the seventeenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This Financial Report is the result of the cooperative effort of many people. We wish to convey our appreciation to the members of the Finance team who contributed to and assisted with the successful completion of the audit. We would also like to express our appreciation to all the City departments, who provided assistance and support, and to the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,


Mark Orme
City Manager


Scott Dowell
Administrative Services Director

DIRECTORY OF CITY OFFICIALS

Andrew Coolidge, *Mayor*

Kasey Reynolds, *Vice-Mayor*

Dale Bennett, *Councilmember*

Alex Brown, *Councilmember*

Sean Morgan, *Councilmember*

Mike O'Brien, *Councilmember*

Deepika Tandon, *Councilmember*

Mark Orme
City Manager

Debbie Presson
City Clerk

Scott Dowell
Administrative Services Director

Steve Standridge
Fire Chief

Matt Madden
Chief of Police

Leigh Ann Sutton
*Public Works Director-
Engineering*

Brendan Vieg
Community Development Director

Erik Gustafson
*Public Works Director-
Operations & Maintenance*

Vincent C. Ewing
City Attorney



Citizens of Chico

- BOARDS & COMMISSIONS**
- Airport Commission
 - Architectural Review & Historic Preservation Board
 - Arts Commission
 - Bidwell Park & Playground Commission
 - Planning Commission

City Council

- COUNCIL COMMITTEES**
- Finance Committee
 - Internal Affairs Committee

City Attorney

**City Manager
Human Resources
Risk**

City Clerk

**Administrative
Services**

**Community
Development**

Fire

Police

Public Works



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Chico
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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 misstatement, 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. 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedules of pension plan contributions, schedule of changes in the total OPEB liability and related ratios, and budgetary comparison information, as listed in the table of contents, 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 City of Chico's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021 on our consideration of the City'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 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.



CliftonLarsonAllen LLP

Roseville, California
December 7, 2021

Management's Discussion and Analysis

As management of the City of Chico (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

FINANCIAL HIGHLIGHTS

- The City had a net position at June 30, 2021 of \$536,067,533 (*net position*). Of this amount, \$438,209,363 is the *net investment in capital assets*.
- As of June 30, 2021, the City's governmental funds reported combined fund balances of \$158,968,764 an increase of \$16,729,092 in comparison with the prior year. Amounts available for spending include *restricted, committed, assigned and unassigned fund balance*. *Restricted* fund balances totaled \$116,669,087. *Committed* fund balances totaled \$12,328,685. *Assigned* fund balances totaled \$15,439,335 while *unassigned* fund balance reported a fund balance of \$14,356,997
- At June 30, 2021, the General Fund had a fund balance of \$39,432,758, an increase of \$9,535,425 from June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components; (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements. In addition to the basic financial statements, this report also includes required supplementary information and other supplementary information.

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all City assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected revenues and unused vacation leave that has been earned).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, community development and community agencies. The business-type activities of the City include the sewer, parking, private development and airport.

One component unit is included in our basic financial statements and consists of a legally separate entity for which the City is financially accountable or receives a financial benefit— the Chico Urban Area Joint Powers Financing Authority. Based on the criteria of generally accepted accounting principles, the Chico Urban Area Joint Powers Financing Authority's governing board is composed of two members of the

Management's Discussion and Analysis

City of Chico Council and two members of the Butte County Board of Supervisors but is reported as a discretely presented component unit due to the significance of the economic resources the City receives from it.

Complete financial statements of the Chico Urban Area Joint Powers Financing Authority may be obtained from the Finance Department of the City of Chico at 411 Main Street, Chico, California 95928.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: *governmental funds, proprietary funds and fiduciary funds.*

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintained several individual governmental funds at June 30, 2021. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, CDBG and HOME Housing Fund, Public Facilities Impact Fees, Capital Grants Fund, and the Low and Moderate Income Housing Asset Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* found elsewhere in this report.

Proprietary funds are generally used to account for activities for which the City charges a fee to either its external or internal customers. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, parking, private development and airport operations, which are considered to be major funds of the City.

Internal service funds are used to report activities that provide goods and services for certain City programs and activities. The City uses internal service funds to account for its self-insurance, central garage, municipal building maintenance, retirement funding and information services functions. Because these services benefit primarily governmental functions, they have been included within *governmental activities* in the government-wide financial statements. The City's five internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These statements include one Private-purpose Trust Fund that

Management's Discussion and Analysis

includes the activity of the Successor Agency to the Chico Redevelopment Agency and three Custodial Funds that account for the assets held by the City as an agent for bonded assessment districts.

Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information is presented in addition to the basic financial statements and accompanying notes. A Schedule of Changes in Net Pension Liability and Related Ratios is included along with a Schedule of Contributions relating to the CalPERS Retirement Plans. Budget Schedules for the General Fund and Major Special Revenue funds are also presented as required supplementary information.

Other Information includes the *combining and individual fund statements and schedules* referred to earlier. Specifically included is information for the Capital Grants Fund budget, nonmajor governmental funds and internal service funds and Custodial Funds. These statements and schedules are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$536,067,533 at the close of the most recent fiscal year.

The largest portion of the City's net position, \$438,209,363, or 82%, reflects its investment in capital assets (e.g. land, buildings, improvements, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used by the City to provide services to the citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis

Governmental and Business-type Activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, are presented in the following table:

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Dollar Change
	2020	2021	2020	2021	2020	2021	
Current and other assets	\$ 177,133,987	\$ 203,446,276	\$ 43,033,695	\$ 52,349,955	\$ 220,167,682	\$ 255,796,231	\$ 35,628,549
Capital assets	325,728,270	325,628,722	132,869,130	139,189,844	458,597,400	464,818,566	6,221,166
Total assets	<u>502,862,257</u>	<u>529,074,998</u>	<u>175,902,825</u>	<u>191,539,799</u>	<u>678,765,082</u>	<u>720,614,797</u>	<u>41,849,715</u>
Deferred Outflows of Resources							
Deferred outflows related to pensions	16,706,996	16,966,506	1,978,158	2,144,100	18,685,154	19,110,606	425,452
Current and other liabilities	129,070,338	143,484,019	20,961,418	29,092,551	150,031,756	172,576,570	22,544,814
Long-term liabilities	12,694,236	13,082,335	27,722,740	16,883,724	40,416,976	29,966,059	(10,450,917)
Total liabilities	<u>141,764,574</u>	<u>156,566,354</u>	<u>48,684,158</u>	<u>45,976,275</u>	<u>190,448,732</u>	<u>202,542,629</u>	<u>12,093,897</u>
Deferred Inflows of Resources							
Deferred inflows related to pensions	3,062,315	949,995	360,644	165,246	3,422,959	1,115,241	(2,307,718)
Net position:							
Net investment							
in capital assets	323,202,614	323,630,848	105,602,949	114,578,515	428,805,563	438,209,363	9,403,800
Restricted	111,598,602	116,537,658	17,282,553	-	128,881,155	116,537,658	(12,343,497)
Unrestricted	<u>(60,058,852)</u>	<u>(51,643,351)</u>	<u>5,950,679</u>	<u>32,963,863</u>	<u>(54,108,173)</u>	<u>(18,679,488)</u>	<u>35,428,685</u>
Total net position	<u>\$ 388,525,155</u>	<u>\$ 388,525,155</u>	<u>\$ 128,836,181</u>	<u>\$ 147,542,378</u>	<u>\$ 503,578,545</u>	<u>\$ 536,067,533</u>	<u>\$ 32,488,988</u>

Governmental Activities. Primary changes in governmental activities are summarized below:

Assets. Total assets increased by \$41,849,715. The primary causes of the increase was an increase in restricted and unrestricted cash of approximately \$22 million. Increased revenue in the taxes and proceeds from the American Rescue Plan account for most of the change.

Deferred Outflows of Resources. This classification balance, although similar to “assets,” is set apart because these items do not meet the technical definition of being a City asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflow of resources will become an expense.

The most significant deferred outflows of resources reported are related to the implementation of GASB Statement No. 68 and GASB No. 71 for net pension liability reporting. GASB No. 68 requires that contributions made to the retirement system subsequent to the measurement date be reported as deferred outflows of resources. Differences between projected and actual earnings on pension plan investments are also reported as deferred outflows and

Management's Discussion and Analysis

amortized over several years. The City has reported deferred outflows of resources for pension contributions and differences between actual and estimated earnings of pension plan investments totaling \$16,966,506 for governmental activities at June 30, 2021. The deferred outflows of resources will be reflected in the change in the net pension liability in the next fiscal year.

Liabilities. Governmental activities liabilities increased by \$5,520,027 primarily due to an increase in the net pension liability of \$6,930,759.

Deferred Inflows of Resources. Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the City as of the date of the financial statements. When all the recognition criteria are met, the deferred inflows of resources will become revenue or an increase to net position.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes and can include the differences between actual and expected experience and changes in assumptions. The City has reported deferred inflows of resources for pensions totaling \$949,995 for governmental activities at June 30, 2021.

Net Position. Governmental activities net position increased \$32,488,988 due primarily to decrease in Grants and contributions not restricted to specific programs.

Business-type Activities. Primary changes in business-type activities are summarized below:

Assets. Total assets increased by \$15,636,973 due to an increase in restricted cash related to construction contracts.

Deferred Outflows of Resources. GASB Statement No. 68 requires that contributions made subsequent to the measurement date be reported as deferred outflows of resources. Differences between projected and actual earnings on pension plan investments are also reported as deferred outflows and amortized over several years. The City has reported deferred inflows of resources for pensions totaling \$2,144,100 for governmental activities at June 30, 2021.

Liabilities. Business-type activities liabilities decreased by \$2,107,883 primarily due to the payment of long-term debt related to the Sewer Fund.

Deferred Inflows of Resources. As discussed above, deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes and can include the differences between actual and expected experience and changes in assumptions. The City has reported deferred inflows of resources for deferred pensions totaling \$165,246 for business-type activities at June 30, 2021.

Net Position. Business-type activities net position increase of \$18,706,197 primarily due to an increase in cash of approximately \$3,668,392 that occurred to reflect the City's overall fiscal recovery operating procedures and an increase in donated sewer infrastructure.

The following table indicates the changes in net position for governmental and business-type activities for the year ended June 30:

Management's Discussion and Analysis

Condensed Statement of Activities

Program revenues:	2020		2021		2020		2021	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities
Charges for services	\$ 14,401,771	\$ 13,501,962	\$ 27,903,733	\$ 22,604,403	\$ 24,172,344	\$ 46,776,147	\$ 37,006,174	\$ 46,776,147
Operating grants and contributions	9,676,693	9,060,513	18,737,206	-	9,676,693	28,413,899	9,060,513	28,413,899
Capital grants and contributions	5,789,588	8,423,875	14,213,463	11,405,256	11,223,156	25,618,619	17,194,844	25,618,619
General revenues and Special Items:								
Taxes	57,874,937	63,968,788	121,843,725	-	57,874,937	179,718,662	63,968,788	179,718,662
Grants and contributions not restricted to specific programs	14,110,492	2,072,665	16,183,157	-	14,110,492	30,293,649	2,072,665	30,293,649
Unrestricted investment earnings	1,567,671	928,992	2,496,663	812,271	360,576	3,109,239	1,289,568	3,109,239
Miscellaneous	714,380	781,732	1,496,112	-	714,380	2,210,492	781,732	2,210,492
Bond proceeds from private-	104,135,533	98,738,527	202,874,060	34,821,930	35,756,076	238,626,036	134,494,603	238,626,036
Total revenues	186,155,044	186,438,187	372,593,231	73,651,185	73,651,185	446,244,416	134,494,603	446,244,416
Expenses:								
General government	7,182,153	18,655,283	25,837,436	-	7,182,153	33,019,589	18,655,283	33,019,589
Public safety	45,844,242	34,360,882	80,205,124	-	45,844,242	126,049,366	34,360,882	126,049,366
Public works	18,097,140	17,822,977	35,920,117	-	18,097,140	54,017,257	17,822,977	54,017,257
Parks and recreation	3,901,045	3,728,252	7,629,297	-	3,901,045	11,530,342	3,728,252	11,530,342
Arts and culture	28,346	-	28,346	-	28,346	56,692	-	56,692
Community development	2,679,356	8,361,864	11,041,220	-	2,679,356	13,720,576	8,361,864	13,720,576
Community agencies	10,249	3,508	13,757	-	10,249	24,006	3,508	24,006
Interest on long-term debt	46,027	80,732	126,759	-	46,027	207,786	80,732	207,786
Loss on disposition of	-	-	-	-	-	-	-	-
Sewer	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-
Private development	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Total expenses	77,788,558	83,013,498	160,802,056	21,124,811	18,992,116	179,817,245	102,005,614	179,817,245
Increase (decrease) in net position before transfers	26,346,975	15,725,029	42,072,004	13,697,119	16,763,960	58,129,971	32,488,989	58,129,971
Special item-OPFB elimination	8,012,165	-	8,012,165	1,622,829	-	9,634,994	-	9,634,994
Transfers	125,478	(1,942,237)	(1,816,759)	(125,478)	1,942,237	1,816,759	-	1,816,759
Change in net position	34,484,618	13,782,792	48,267,410	15,194,470	18,706,197	63,973,607	32,488,989	63,973,607
Net position, beginning of year	340,257,745	374,742,364	715,000,109	113,641,711	128,836,181	242,477,892	503,578,544	242,477,892
Net position, end of year	\$ 374,742,364	\$ 388,525,155	\$ 763,267,519	\$ 128,836,181	\$ 147,542,378	\$ 810,814,138	\$ 536,067,533	\$ 810,814,138

Governmental Activities. Governmental activities increased the City's net position by \$32,488,990 due to an increase in charges for service as well as taxes.

Management's Discussion and Analysis

Revenues. Total revenues for governmental activities increased 21% from the prior year:

- **Taxes** increased \$6,093,851 due to increases in sales tax revenue and property tax revenue as the economy and housing market are moving in a modestly positive direction.
- **Capital grants and contributions** increased by \$(2,634,287) due primarily to completion of a large infrastructure project.
- **Intergovernmental Revenue** increased \$3,550,752 due primarily to CARES funding.

Expenses. Total expenses for governmental activities increased \$5,224,937 from the prior year:

- The increase in expenses is due to the City's new agreement with CARD to transfer Community Park Development Impact Fee funds collected by the City to CARD twice a year for the development of future community park facilities.

Business-type Activities. Business-type activities increased the City's net position by \$18,706,197. Charges for service revenues combined with expenses reductions also increased net position. The operations of individual enterprise funds are presented more thoroughly in the Proprietary Funds section.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue and Capital Projects Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, restricted, committed, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2021, the City's governmental funds reported combined fund balances of \$158,968,764 an increase of \$16,729,092 compared to the prior year. The City reported \$116,669,087 of restricted fund balance, \$63,748,813 is composed of long-term loans receivable. By nature, restricted resources are restricted for specific purposes.

Nonspendable fund balance is composed of: \$174,660 in prepaid items.

Committed fund balance is composed of: \$1,513,524 for compensated absences, \$429,788 in donations and \$10,385,373 for emergency contingencies.

Total assigned fund balance is \$15,439,335. It is specifically assigned for equipment replacement of \$2,736,595 assigned for capital projects of \$8,615,075 remediation of \$501,024 and subsequent year's budget of \$3,586,641.

Management's Discussion and Analysis

The changes in fund balance as of June 30, is presented in the following table:

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

	Major Funds				
	General	CDBG and HOME	Public Facilities	Capital	Low & Moderate
	Fund	Housing	Impact Fees	Grants	Income Housing Asset
Revenues	\$ 68,630,271	\$ 983,731	\$ 8,124,538	\$ 4,499,166	\$ 434,753
Expenditures	(55,452,372)	(932,403)	(7,602,570)	(3,945,708)	(384,851)
Other financing sources (uses), net	(3,642,474)	16,158	(78,058)	-	(11,491)
Change in fund balances	9,535,425	(67,486)	443,910	(553,458)	38,411
Fund balances (deficits), beginning of year	29,897,333	7,578,919	31,951,578	(1,387,792)	56,063,997
Fund balances (deficits), end of year	<u>\$ 39,432,758</u>	<u>\$ 7,646,405</u>	<u>\$ 32,395,488</u>	<u>\$ (834,334)</u>	<u>\$ 56,102,408</u>

	Nonmajor Funds		2021	2020
	Special Revenue	Capital Projects	Total	Total
	Funds	Funds	Governmental	Governmental
Revenues	\$ 12,329,514	\$ 1,793,726	\$ 96,795,699	\$ 89,163,913
Expenditures	(6,749,769)	(3,637,866)	(78,705,539)	(69,174,692)
Other financing sources (uses), net	(1,924,409)	4,276,206	(1,364,068)	570,750
Change in fund balances	3,655,336	2,432,066	16,726,092	20,559,971
Fund balances (deficits), beginning of year	11,955,719	6,182,918	142,242,672	121,682,699
Fund balances (deficits), end of year	<u>\$ 15,611,055</u>	<u>\$ 8,614,984</u>	<u>\$ 158,968,764</u>	<u>\$ 142,242,670</u>

Revenues for governmental funds overall totaled \$ 96,795,699 an increase of 5.36% from the prior fiscal year, and expenditures for governmental funds totaled \$ 78,705,539 a negligible change from the prior year. Revenue increases were due primarily to increases in property and sales taxes. Expenditures are largely unchanged due to strong fiscal management.

General Fund revenue increased \$4,743,317 due to an increase in Intergovernmental revenues of 7.42% due primarily to reimbursements for assistance provided to fight the numerous wildfires that occurred during the year. Current year General Fund expenditures increased 2020 by \$5,741,690. Increases in wages and benefits accounts for increase.

CDBG & HOME Housing fund increased by \$67,486 primarily due to interest earnings.

Revenue in the Capital Grants Fund exceeded expenditures by \$(553,458) due to timing of receipts for reimbursements of 2020-2021 expenditures.

The Low and Moderate Income Housing Asset Fund's change in fund balance consists mostly of loans receivable received from the Successor Agency to the Chico Redevelopment Agency. Otherwise, there is very little activity.

Management's Discussion and Analysis

occurring within this Fund as the revenue is considered restricted as most of it is composed of long-term loan receivables.

Public Facility Impact Fee funds have been consolidated into one reporting fund. It is reported as a Major Capital Projects Fund. Fund balance in this fund fluctuates with building activity within the City limits.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The following table shows actual revenues, expenses and results of operations of proprietary funds for the current fiscal year:

	Sewer	Parking	Private Development	Airport	Total
Operating revenues	\$ 18,055,204	\$ 373,192	\$ 5,098,969	\$ 618,438	\$ 24,145,803
Operating expenses	11,245,802	947,957	4,365,232	2,043,302	19,688,391
Operating income (loss)	6,809,402	(574,765)	733,737	(1,424,864)	4,457,412
Nonoperating revenues (expenses), net	(91,081)	20,853	35,621	31,901	(2,706)
Income (loss) before contributions and transfers	6,718,321	-	-	-	5,632,223
Contributions and transfers	7,996,101	73	758,883	14,251,491	24,062,646
Change in net position	\$ 14,684,422	\$ (553,839)	\$ 1,528,241	\$ 3,047,373	\$ 18,706,197

- Sewer Fund revenues increased over the prior year due to increased Water Pollution Control Plant capacity development fees collected.
- Parking Fund revenues decreased by \$(573,503) over the prior year as the City halted collection of Parking fees due to the COVID pandemic.
- The Private Development Fund had an increase in net position of \$476,886. Operations in the fund reflected additional activity in the building industry in Chico during the year ended June 30, 2021.
- Airport Fund operating revenues decreased \$(522,166) primarily due to additional rental charges for airport related facilities. The City is working to revitalize the airport and its industrial park.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the General Fund is presented as part of required supplementary information in this report. The City Council amended the budget several times during the period. These amendments, generally, were to adjust for actual beginning balances and carryovers after closing the prior fiscal year and for new sources and uses realized during the fiscal year.

Overall, actual revenue was over budgeted revenue by \$4,124,691. Property tax revenues was over budget by \$534,906 while sales and use taxes revenue exceeded budget by \$2,426,531. Other taxes including transient and occupancy taxes (TOT) exceeded budget by \$1,919,690.

Overall, budgeted expenditures were under budget by \$23,295,879. Most departments recognized actual expenditures under budget.

Management's Discussion and Analysis

Amendments to the public works budget were made for capital projects initiated during the year. Fire and Police had increases in the original budget to account for increases in wages and benefits.

In spite of City Council budgetary amendments, variances between actual amounts and the final budget occur. Generally, all of the variances were positive (i.e., actual revenue exceeded budgeted revenue and actual expenditures were less than budgeted expenditures) due to the fact that a conservative budgetary approach was utilized.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of **June 30, 2021** amounted to \$464,818,566 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Total current year depreciation expense was \$18,328,979.

Capital assets, net of depreciation, for the governmental and business-type activities are presented on the next page to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities	
	2020	2021	2020	2021
Land	\$31,456,230	\$31,561,925	\$2,154,341	\$2,154,341
Buildings	9,030,354	8,529,383	4,691,860	4,187,118
Improvements	6,782,299	8,319,818	109,114,940	107,734,478
Equipment	9,885,915	8,955,391	599,585	492,863
Infrastructure	242,636,661	242,601,613	-	-
Construction in progress	25,936,810	25,660,592	16,308,401	24,621,042
Total, Net	<u>\$325,728,269</u>	<u>\$325,628,722</u>	<u>\$132,869,127</u>	<u>\$139,189,842</u>

	Total		Total	
	2020	2021	Dollar Change	Percentage Change
Land	\$33,610,571	\$33,716,266	\$105,695.00	0%
Buildings	13,722,214	12,716,501	(1,005,713)	-7%
Improvements	115,897,239	116,054,296	157,057	0%
Equipment	10,485,500	9,448,253	(1,037,247)	-10%
Infrastructure	242,636,661	242,601,613	(35,048)	0%
Construction in progress	42,245,211	50,281,634	8,036,423	19%
Total, Net	<u>\$458,597,396</u>	<u>\$464,818,563</u>	<u>\$6,221,167</u>	

Management's Discussion and Analysis

Major capital asset events during the current fiscal year included the following:

- Buildings – Decrease is due primarily to depreciation expense. No significant capitalized construction to building category occurred.
- Improvements – Decrease is due primarily to depreciation expense.
- Equipment – Increases reflect acquisitions of safety radios and upgraded software for several departments.
- Infrastructure – Increased as several large street projects were completed.
- Construction in progress (CIP) – Increase is due to initiation of projects not yet completed and transferred to appropriated capital accounts.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term liabilities

At June 30, 2021, the City had total long-term liabilities outstanding of \$35,134,126 an overall decrease of \$6,740,593 from June 30, 2020. Additional information related to the City's long-term liabilities can be found in Note 6 of this report.

Economic Factors and Next Year's Budget

The fiscal year 2022 budget was approved on June 1, 2021, with a total Operating Budget of \$98,533,966, which is a \$2,354,530 increase from the prior fiscal year's Council adopted budget. The adopted Capital Improvement Budget totaled \$44,354,1386. Total General Fund revenue and transfers in total of \$64,471,002, which is higher than budgeted expenditures and transfers out of \$60,530,039. The City has also assigned fund balance from June 30, 2021 of \$3,586,641 to cover expenditures in the fiscal year 2020-2021 budget.

During this time of economic uncertainty, brought on by the coronavirus pandemic and the associated economic fallout, the fiscal year 2021-22 budget continues the City's record of strong fiscal management. This fiscal year budget maintains a well-resourced City government, which is prepared to respond to the needs of our residents. The City does not currently anticipate any significant cash flow or liquidity issues in the near term because of COVID-19 but continues to monitor that risk. This City cannot predict the extent to which consequences arising from COVID-19 will impact financial conditions, operations, reserves and liquidity, but management is dedicated to monitor the unfolding impacts to ensure residents at all income levels a safe place to live and work.

Local Revenue Base

Governor Newsom declared a state of emergency in the State on March 4, 2020 and on March 19, 2020 the Governor signed an Executive Order ordering the shut-down of all non-essential business and mandated that all employees, other than essential workers, remain at home. The Chico City Council declared a state of emergency in the City on March 25, 2020.

The sudden cessation of business activity, travel and tourism resulting from the pandemic had a devastating impact on the retail and hospitality sectors in Chico. Many restaurants and retail businesses closed, and the hotel occupancy rates dropped. Employment declined in the City as many employees were laid off. Noted related decreases in tax revenue include:

- Sales tax revenue decreased 3%
- Transient occupancy tax decreased 16%

Other key economic factors reflect slow but steady growth for the City. The City is seeing a continued increase in local construction as evidenced by an increase in building permits issued, planning fees, and sales of new and existing homes.

Management's Discussion and Analysis

It is not possible to predict the impact of the pandemic on property tax revenue. The Commercial real estate sector could sustain losses in value from the pandemic as tenants evaluate density and remote work. A loss in value would result in lost property taxes.

Subsequent Economic Impacts of American Rescue Plan Act Funds

The City of Chico was awarded \$22 million in American Rescue Plan Act of 2021 funds. Half of the funds were received in May of 2021 and half is expected in May of 2022. The deadline for spending the funds is December 31, 2024.

Eligible uses include:

- Revenue recovery
- Broadband/fiber projects
- Water and sewer infrastructure
- Assistance for individuals, businesses and non-profits

The City's executive leadership is analyzing and prioritizing different options for using the funds.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information may be requested as follows:

US Mail:

City of Chico
Administrative Services Director
P.O. Box 3420
Chico, California 95927

or

Phone:

(530) 879-7300

or

Email:

scott.dowell@chico.ca.gov



***GOVERNMENT-WIDE FINANCIAL
STATEMENTS***

CITY OF CHICO, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Chico Urban Area Joint Powers Financing Authority
ASSETS				
Current Assets:				
Cash and investments	\$ 111,918,143	\$ 46,234,470	\$ 158,152,613	\$ -
Restricted cash and investments	2,463,206	-	2,463,206	1,516,271
Receivables:				
Interest	11,702,372	-	11,702,372	103,385
Property taxes	600,721	-	600,721	-
Accounts	2,268,897	2,841,752	5,110,649	-
Intergovernmental	12,268,812	3,273,733	15,542,545	-
Loans	62,001,013	-	62,001,013	-
Prepaid	175,967	-	175,967	-
Other assets	47,145	-	47,145	-
Noncurrent Assets:				
Capital assets:				
Nondepreciable	57,222,517	26,775,384	83,997,901	-
Depreciable, net	268,406,205	112,414,460	380,820,665	-
Total assets	<u>529,074,998</u>	<u>191,539,799</u>	<u>720,614,797</u>	<u>1,619,656</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	16,966,506	2,144,100	19,110,606	-
Total deferred outflows of resources	<u>16,966,506</u>	<u>2,144,100</u>	<u>19,110,606</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	3,716,984	3,424,664	7,141,648	-
Accrued salaries and benefits	1,126,488	166,165	1,292,653	-
Intergovernmental payable	1,846,889	-	1,846,889	-
Interest payable	-	70,717	70,717	-
Deposits	28,823	20,042	48,865	-
Unearned revenue	11,763,212	568,593	12,331,805	-
Other accrued liabilities	26,154	-	26,154	-
Long-term liabilities:				
Due within one year	3,664,087	1,669,680	5,333,767	-
Due in more than one year	9,418,248	20,382,111	29,800,359	23,059,478
Due in more than one year net pension liability	124,975,469	19,674,303	144,649,772	-
Total liabilities	<u>156,566,354</u>	<u>45,976,275</u>	<u>202,542,629</u>	<u>23,059,478</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	949,995	165,246	1,115,241	-
Total deferred inflows of resources	<u>949,995</u>	<u>165,246</u>	<u>1,115,241</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	323,630,848	114,578,515	438,209,363	-
Restricted for:				
Capital projects	45,528,856	-	45,528,856	-
Housing	63,748,813	-	63,748,813	-
Maintenance districts	4,378,909	-	4,378,909	-
Other government programs	2,493,124	-	2,493,124	-
Public safety	387,956	-	387,956	-
Unrestricted (deficit)	<u>(51,643,351)</u>	<u>32,963,863</u>	<u>(18,679,488)</u>	<u>(21,439,822)</u>
Total net position (deficit)	<u>\$ 388,525,155</u>	<u>\$ 147,542,378</u>	<u>\$ 536,067,533</u>	<u>\$ (21,439,822)</u>

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS:	<u>Primary Government</u>									
	Program Revenues						Net (Expense) Revenue and			Component Unit
							Changes in Net Position			
	Direct	Indirect	Total	Charges for	Operating	Capital	Governmental	Business-type	Total	Chico Urban
Expenses	Expenses	Expenses	Services	Grants and	Grants and	Activities	Activities	Total	Area Joint	
										Powers Financing
										Authority
Primary government:										
Governmental activities:										
General government	\$ 20,637,578	\$ (1,982,295)	\$ 18,655,283	\$ 771,917	\$ 2,631,508	\$ -	\$ (15,231,858)	\$ -	\$ (15,231,858)	
Public safety	34,352,274	8,608	34,360,882	1,211,681	764,446	-	(32,384,755)	-	(32,384,755)	
Public works	17,370,281	452,696	17,822,977	11,449,454	4,535,700	8,423,875	6,586,052	-	6,586,052	
Parks and recreation	3,451,644	276,608	3,728,252	4,144	-	-	(3,724,108)	-	(3,724,108)	
Community development	8,265,519	96,345	8,361,864	64,766	1,128,859	-	(7,168,239)	-	(7,168,239)	
Community agencies	3,508	-	3,508	-	-	-	(3,508)	-	(3,508)	
Interest on long-term debt	80,732	-	80,732	-	-	-	(80,732)	-	(80,732)	
Total governmental activities	<u>84,161,536</u>	<u>(1,148,038)</u>	<u>83,013,498</u>	<u>13,501,962</u>	<u>9,060,513</u>	<u>8,423,875</u>	<u>(52,007,148)</u>	<u>-</u>	<u>(52,007,148)</u>	
Business-type activities:										
Sewer	11,191,382	444,243	11,635,625	18,055,204	-	8,121,524	-	14,541,103	14,541,103	
Parking	830,964	116,993	947,957	373,192	-	-	-	(574,765)	(574,765)	
Private development	4,076,825	288,407	4,365,232	5,102,540	-	-	-	737,308	737,308	
Airport	1,883,759	159,543	2,043,302	641,408	-	3,101,632	-	1,699,738	1,699,738	
Total business-type activities	<u>17,982,930</u>	<u>1,009,186</u>	<u>18,992,116</u>	<u>24,172,344</u>	<u>-</u>	<u>11,223,156</u>	<u>-</u>	<u>16,403,384</u>	<u>16,403,384</u>	
Total primary government	<u>\$ 102,144,446</u>	<u>\$ (138,852)</u>	<u>\$ 102,005,614</u>	<u>\$ 37,674,306</u>	<u>\$ 18,342,265</u>	<u>\$ 19,647,031</u>	<u>(52,007,148)</u>	<u>16,403,384</u>	<u>(35,623,764)</u>	
Component unit:										
Chico Urban Area Joint										
Powers Financing Authority	\$ 8,434,532	\$ -	\$ 8,434,532	\$ -	\$ -	\$ 1,900,000				\$ (6,534,532)

General revenues:										
Taxes:										
Property taxes						19,896,013	-	19,896,013		
Sales and use tax						28,176,531	-	28,176,531		
Transient Occupancy Tax						3,063,513	-	3,063,513		
Utility users tax						8,119,022	-	8,119,022		
Franchise fees						3,875,540	-	3,875,540		
Other taxes						838,169	-	838,169		
Grants and contributions not restricted to specific programs						2,072,665	-	2,072,665		
Unrestricted investment earnings						928,992	360,576	1,289,568		59,016
Miscellaneous						781,732	-	781,732		
Transfers						(1,942,237)	1,942,237	-		
Total general revenues, transfers						<u>65,809,940</u>	<u>2,302,813</u>	<u>68,112,753</u>		<u>(6,475,516)</u>
Change in net position						13,782,792	18,706,197	32,488,989		(6,475,516)
Net position (deficit), beginning of year						<u>374,742,363</u>	<u>128,836,181</u>	<u>503,578,544</u>		<u>(14,964,306)</u>
Net position (deficit), end of year						<u>\$ 388,525,155</u>	<u>\$ 147,542,378</u>	<u>\$ 536,067,533</u>		<u>\$ (21,439,822)</u>

See accompanying notes to the financial statements.

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds and capital projects funds.

Major Governmental Funds include:

- **General**
The City's primary operating fund. Accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **CDBG and HOME Housing**
Accounts for the Community Development Block Grant (CDBG) annual federal grant program and the State and Federal HOME grant programs. The CDBG program provides for development of viable urban community by providing a suitable living environment and expansion of economic opportunities, principally for low and moderate income residents. The HOME program provides for the development of affordable housing and mortgage subsidy programs and housing rehabilitation to benefit low income households. Use of CDBG and HOME funding is restricted per federal guidelines.
- **Capital Grants**
Accounts for receipts and disbursements of a variety of governmental fund capital grants.
- **Low and Moderate Income Housing Asset Fund**
The Low and Moderate Income Housing Special Revenue Fund accounts for all activities resulting from the elimination of the Redevelopment Agency's low and moderate income housing function. Primarily, this Fund utilizes program income from loan payments restricted for the development and assistance for low-income households. Use of Housing Funds is restricted according to the provisions contained in California State Assembly Bill 1X26 and California State Assembly Bill 1484.

Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

Major enterprise funds include:

- **Sewer**
Accounts for sanitary sewer collection system and Water Pollution Control Plant operations including major repair and replacement of the City's Water Pollution Control Plant facilities.
- **Parking**
Accounts for parking facilities operations and improvements and debt service on the 1994 Parking Revenue Bonds issued to finance the downtown parking structure.
- **Private Development**
Accounts for private development planning and building inspection and subdivision planning and inspection.
- **Airport**
Accounts for airport operations and improvements.

FUND FINANCIAL STATEMENTS (Continued)

Fiduciary Fund Type

Fiduciary funds include:

- **Private-purpose Trust Fund**
Accounts for the assets, liabilities and activities of the Successor Agency to the Chico Redevelopment Agency.
- **Custodial Fund**
Accounts for assets held in an agency capacity for parties outside the City. The resources of this fund cannot be used to support the City's own programs. The Fund accounts for assets held by the City as an agent for bonded assessment districts.

CITY OF CHICO, CALIFORNIA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	CDBG & HOME Housing	Public Facilities Impact Fees	Capital Grants	Low & Moderate Income Housing Asset Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 41,958,485	\$ 766,455	\$ 34,287,877	\$ -	\$ 2,802,341	\$ 23,015,973	\$ 102,831,131
Restricted cash and investments	2,039,030	-	-	-	-	124,176	2,163,206
Receivables:							
Interest	210,364	943,476	-	-	10,548,433	99	11,702,372
Property taxes	573,107	-	-	-	-	27,614	600,721
Accounts	2,026,095	-	-	-	-	51,269	2,077,364
Intergovernmental	6,749,239	319,638	-	3,582,660	-	1,617,275	12,268,812
Loans	-	7,415,182	-	-	54,562,354	23,477	62,001,013
Prepaid items	174,660	-	-	-	-	-	174,660
Advances to other funds	-	-	42,205	-	-	-	42,205
Total assets	\$ 53,730,980	\$ 9,444,751	\$ 34,330,082	\$ 3,582,660	\$ 67,913,128	\$ 24,859,883	\$ 193,861,484
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,097,031	\$ 817,711	\$ 114,383	\$ 229,842	\$ 613,709	\$ 396,947	\$ 3,269,623
Accrued salaries and benefits	939,944	10,481	-	-	4,824	101,841	1,057,090
Deposits	8,823	-	-	-	20,000	-	28,823
Intergovernmental payable	-	26,678	1,820,211	-	-	-	1,846,889
Due to other funds	-	-	-	2,639,923	-	-	2,639,923
Unearned revenue	11,050,317	-	-	712,895	-	-	11,763,212
Other accrued liabilities	26,154	-	-	-	-	-	26,154
Advances from other funds	-	-	-	-	-	42,205	42,205
Total liabilities	13,122,269	854,870	1,934,594	3,582,660	638,533	540,993	20,763,919
Deferred inflows of resources:							
Unavailable housing loan interest revenue	-	943,476	-	-	10,548,433	-	11,491,909
Unavailable revenue	1,175,953	-	-	834,334	623,754	92,851	2,726,892
Total deferred inflows of resources	1,175,953	943,476	-	834,334	11,172,187	92,851	14,218,801
Fund balances (deficit):							
Nonspendable	174,660	-	-	-	-	-	174,660
Restricted	2,250,032	7,646,405	32,395,488	-	56,102,408	18,274,754	116,669,087
Committed	12,328,685	-	-	-	-	-	12,328,685
Assigned	9,488,050	-	-	-	-	5,951,285	15,439,335
Unassigned	15,191,331	-	-	(834,334)	-	-	14,356,997
Total fund balances (deficit)	39,432,758	7,646,405	32,395,488	(834,334)	56,102,408	24,226,039	158,968,764
Total liabilities, deferred inflows of resources, and fund balances	\$ 53,730,980	\$ 9,444,751	\$ 34,330,082	\$ 3,582,660	\$ 67,913,128	\$ 24,859,883	\$ 193,861,484

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

Total fund balances (deficit) - total governmental funds	\$	158,968,764
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		325,575,711
<p>Deferred outflows of resources reported in the Statement of Net Position Related to Pension</p>		16,021,204
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenues in the fund.</p>		14,218,801
<p>Interest payable on long-term debt does not require current financial resources, therefore,, interest payable is not reported as a liability in</p>		
<p>Deferred inflows of resources reported in the Statement of Net Position Related to Pension</p>		(877,141)
<p>Internal service funds are used by management to charge the costs of activities to individual funds. The asset and liabilities of internal service funds are included in governmental activities in the statement of net position.</p>		(3,746,658)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
<p>Net pension liability</p>	(116,301,348)	
<p>Capital leases payable</p>	(1,997,874)	
<p>Compensated absences</p>	(3,336,304)	(121,635,526)
Net position of governmental activities	\$	388,525,155

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	CDBG & HOME Housing	Public Facilities Impact Fees	Capital Grants	Low & Moderate Income Housing Asset Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ 19,876,543	\$ -	\$ -	\$ -	\$ 19,470	\$ -	\$ 19,896,013
Sales and use taxes	28,176,531	-	-	-	-	-	28,176,531
Other taxes	15,896,244	-	-	-	-	-	15,896,244
Licenses and permits	90,651	-	-	-	-	-	90,651
Intergovernmental	2,607,092	906,405	-	4,499,166	-	10,010,125	18,022,788
Charges for services	242,382	-	7,805,496	-	2,193	3,708,095	11,758,166
Fines, forfeitures, and penalties	468,792	-	-	-	-	23,239	492,031
Use of money and property	708,195	77,326	319,042	-	405,521	171,459	1,681,543
Miscellaneous	563,841	-	-	-	7,569	210,322	781,732
Total revenues	68,630,271	983,731	8,124,538	4,499,166	434,753	14,123,240	96,795,699
EXPENDITURES:							
Current:							
General government	4,062,111	-	-	430,703	-	1,270,895	5,763,709
Public safety	41,307,605	-	-	-	-	881,584	42,189,189
Public works	4,151,854	-	-	-	-	4,147,736	8,299,590
Parks and recreation	3,219,385	-	-	-	-	124,311	3,343,696
Community development	1,237,961	932,403	5,789,225	-	384,851	-	8,344,440
Community agencies	3,508	-	-	-	-	-	3,508
Capital outlay:							
Capital outlay - Operations	922,667	-	1,754,405	3,515,005	-	3,960,816	10,152,893
Debt service:							
Principal retirement	470,475	-	57,307	-	-	-	527,782
Interest and fiscal charges	76,806	-	1,633	-	-	2,293	80,732
Total expenditures	55,452,372	932,403	7,602,570	3,945,708	384,851	10,387,635	78,705,539
Excess (deficiency) of revenues over (under) expenditures	13,177,899	51,328	521,968	553,458	49,902	3,735,605	18,090,160
OTHER FINANCING SOURCES (USES):							
Transfers in	3,017,249	16,158	1,204	-	4,667	4,521,227	7,560,505
Transfers out	(6,659,723)	-	(79,262)	-	(16,158)	(2,169,430)	(8,924,573)
Total other financing sources (uses)	(3,642,474)	16,158	(78,058)	-	(11,491)	2,351,797	(1,364,068)
Net change in fund balances	9,535,425	67,486	443,910	553,458	38,411	6,087,402	16,762,092
Fund balances (deficit), beginning of year	29,897,333	7,578,919	31,951,578	(1,387,792)	56,063,997	18,138,637	142,242,672
Fund balances (deficit), end of year	\$ 39,432,758	\$ 7,646,405	\$ 32,395,488	\$ (834,334)	\$ 56,102,408	\$ 24,226,039	\$ 158,968,764

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds		\$	16,729,092
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>			
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>			
Capital outlay	10,152,893		
Depreciation expense	<u>(12,323,365)</u>		(2,170,472)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. disposals, transfers, donations, etc.) was to increase (decrease) net position:</p>			
Capital Contributions	<u>2,072,665</u>		2,072,665
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Unavailable revenues			(129,254)
<p>The issuance of long-term debt (e.g., bonds, leases) 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, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>			
Principal retirement			527,782
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>			
Change in net pension liability	(4,689,729)		
Change in compensated absences	47,907		(4,641,822)
<p>Special Item related to OPEB elimination that was not included in the governmental activity funds.</p>			
			145,538
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of internal service funds is reported with governmental activities.</p>			
			<u>1,252,263</u>
Change in net position of governmental activities		\$	<u><u>13,782,792</u></u>

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport	Total Enterprise Funds	
ASSETS						
Current assets:						
Cash and investments	\$ 37,013,203	\$ 2,165,923	\$ 4,790,700	\$ 2,264,644	\$ 46,234,470	\$ 9,087,012
Receivables:						
Accounts	2,557,667	2,661	225,986	55,438	2,841,752	191,533
Intergovernmental	6,905	-	-	3,266,828	3,273,733	-
Due from other funds	-	-	-	-	-	2,639,923
Inventories	-	-	-	-	-	47,145
Prepaid expenses	-	-	-	-	-	1,307
Total current assets	<u>39,577,775</u>	<u>2,168,584</u>	<u>5,016,686</u>	<u>5,586,910</u>	<u>52,349,955</u>	<u>11,966,920</u>
Noncurrent assets:						
Cash and investments with agent	-	-	-	-	-	300,000
Capital assets:						
Land and construction in progress	21,467,826	1,338,389	-	3,969,169	26,775,384	30,391
Other capital assets, net of accumulated depreciation	96,607,280	1,374,679	-	14,432,501	112,414,460	22,620
Total noncurrent assets	<u>118,075,106</u>	<u>2,713,068</u>	<u>-</u>	<u>18,401,670</u>	<u>139,189,844</u>	<u>353,011</u>
Total assets	<u>157,652,881</u>	<u>4,881,652</u>	<u>5,016,686</u>	<u>23,988,580</u>	<u>191,539,799</u>	<u>12,319,931</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	924,118	166,560	924,118	129,304	2,144,100	945,302
Total deferred outflows of resources	<u>924,118</u>	<u>166,560</u>	<u>924,118</u>	<u>129,304</u>	<u>2,144,100</u>	<u>945,302</u>
LIABILITIES						
Current liabilities:						
Accounts payable	175,344	9,311	208,989	3,031,020	3,424,664	447,261
Accrued salaries and benefits	76,569	9,129	73,167	7,300	166,165	69,398
Interest payable	70,717	-	-	-	70,717	-
Deposits	-	-	20,042	-	20,042	100
Compensated absences - current portion	27,625	582	29,182	2,291	59,680	20,342
Claims liability - current portion	-	-	-	-	-	2,177,493
Revenue bonds payable - current portion	1,610,000	-	-	-	1,610,000	-
Unearned revenue	-	-	568,593	-	568,593	-
Total current liabilities	<u>1,960,255</u>	<u>19,022</u>	<u>899,973</u>	<u>3,040,611</u>	<u>5,919,861</u>	<u>2,714,594</u>
Noncurrent liabilities:						
Revenue bonds payable, net	19,970,309	-	-	-	19,970,309	-
Compensated absences	190,616	4,015	201,360	15,811	411,802	140,366
Claims liability	-	-	-	-	-	5,409,956
Net pension liability	8,479,725	1,528,361	8,479,725	1,186,492	19,674,303	8,674,121
Total noncurrent liabilities	<u>28,640,650</u>	<u>1,532,376</u>	<u>8,681,085</u>	<u>1,202,303</u>	<u>40,056,414</u>	<u>14,224,443</u>
Total liabilities	<u>30,600,905</u>	<u>1,551,398</u>	<u>9,581,058</u>	<u>4,242,914</u>	<u>45,976,275</u>	<u>16,939,037</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	71,222	12,837	71,222	9,965	165,246	72,854
Total deferred inflows of resources	<u>71,222</u>	<u>12,837</u>	<u>71,222</u>	<u>9,965</u>	<u>165,246</u>	<u>72,854</u>
NET POSITION						
Net investment in capital assets	96,494,797	2,713,068	-	15,370,650	114,578,515	53,011
Unrestricted	31,410,075	770,909	(3,711,476)	4,494,355	32,963,863	(3,799,669)
Total net position (deficit)	<u>\$ 127,904,872</u>	<u>\$ 3,483,977</u>	<u>\$ (3,711,476)</u>	<u>\$ 19,865,005</u>	<u>\$ 147,542,378</u>	<u>\$ (3,746,658)</u>

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
OPERATING REVENUES:						
Charges for services	\$ 18,054,928	\$ 373,192	\$ 2,684,281	\$ 72,862	\$ 21,185,263	\$ 19,297,326
Licenses and permits	-	-	2,414,688	-	2,414,688	30,075
Rental charges	276	-	-	545,576	545,852	-
Total operating revenues	<u>18,055,204</u>	<u>373,192</u>	<u>5,098,969</u>	<u>618,438</u>	<u>24,145,803</u>	<u>19,327,401</u>
OPERATING EXPENSES:						
Salaries and benefits	2,548,214	287,441	2,647,959	244,559	5,728,173	2,668,477
Materials and supplies	877,556	30,703	17,144	7,701	933,104	517,592
Purchased services	1,129,890	119,984	740,436	147,235	2,137,545	3,199,576
Other expenses	2,096,423	355,944	959,693	318,739	3,730,799	11,203,333
Depreciation	4,593,719	153,885	-	1,325,068	6,072,672	1,740
Total operating expenses	<u>11,245,802</u>	<u>947,957</u>	<u>4,365,232</u>	<u>2,043,302</u>	<u>18,602,293</u>	<u>17,590,718</u>
Operating income (loss)	<u>6,809,402</u>	<u>(574,765)</u>	<u>733,737</u>	<u>(1,424,864)</u>	<u>5,543,510</u>	<u>1,736,683</u>
NONOPERATING REVENUES (EXPENSES):						
Interest income	298,742	20,853	32,050	8,931	360,576	60,271
Interest expense	(389,823)	-	-	-	(389,823)	34,217
Miscellaneous revenue (expense)	-	-	3,571	22,970	26,541	(739)
Total nonoperating revenues (expenses)	<u>(91,081)</u>	<u>20,853</u>	<u>35,621</u>	<u>31,901</u>	<u>(2,706)</u>	<u>93,749</u>
Income (loss) before capital contributions and transfers	6,718,321	(553,912)	769,358	(1,392,963)	5,540,804	1,830,432
Capital contributions	8,121,524	-	-	3,101,632	11,223,156	-
Transfers in	15,792	3,673	945,740	1,405,495	2,370,700	149,030
Transfers out	(171,215)	(3,600)	(186,857)	(66,791)	(428,463)	(727,199)
Change in net position	<u>14,684,422</u>	<u>(553,839)</u>	<u>1,528,241</u>	<u>3,047,373</u>	<u>18,706,197</u>	<u>1,252,263</u>
Net position (deficit), beginning of year	<u>113,220,450</u>	<u>4,037,816</u>	<u>(5,239,717)</u>	<u>16,817,632</u>	<u>128,836,181</u>	<u>(4,998,921)</u>
Net position (deficit), end of year	<u>\$ 127,904,872</u>	<u>\$ 3,483,977</u>	<u>\$ (3,711,476)</u>	<u>\$ 19,865,005</u>	<u>\$ 147,542,378</u>	<u>\$ (3,746,658)</u>

See accompanying notes to the financial statements.

**CITY OF CHICO, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 17,995,261	\$ 373,192	\$ 5,188,601	\$ 643,776	\$ 24,200,830	\$ -
Receipts from interfund services provided	-	-	-	-	-	19,423,238
Payments to suppliers and claimants	(3,696,314)	(266,692)	(1,013,100)	2,768,829	(2,207,277)	(15,326,533)
Payments to employees	(2,467,202)	(295,894)	(2,601,454)	(237,614)	(5,602,164)	(2,614,383)
Payments for interfund services used	(789,922)	(234,374)	(660,531)	(223,239)	(1,908,066)	-
Net cash provided (used) by operating activities	<u>11,041,823</u>	<u>(423,768)</u>	<u>913,516</u>	<u>2,951,752</u>	<u>14,483,323</u>	<u>1,482,322</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Interfund borrowings	-	-	-	-	-	(2,379,436)
Transfers in	15,792	3,673	945,740	1,405,495	2,370,700	149,030
Transfers out	(171,215)	(3,600)	(186,857)	(66,791)	(428,463)	(727,199)
Net cash provided (used) by noncapital financing activities	<u>(155,423)</u>	<u>73</u>	<u>758,883</u>	<u>1,338,704</u>	<u>1,942,237</u>	<u>(2,957,605)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(1,187,283)	(5,208)	-	(3,079,371)	(4,271,862)	-
Proceeds from long-term debt	23,905,292	-	-	-	23,905,292	-
Principal paid on long-term debt	(29,591,164)	-	-	-	(29,591,164)	-
Interest paid	(643,595)	-	-	-	(643,595)	-
Capital grants received	-	-	-	129,310	129,310	-
Net cash used by capital and related financing activities	<u>(7,516,750)</u>	<u>(5,208)</u>	<u>-</u>	<u>(2,950,061)</u>	<u>(10,472,019)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest paid	298,742	20,853	32,050	8,931	360,576	-
Net cash provided by investing activities	<u>298,742</u>	<u>20,853</u>	<u>32,050</u>	<u>8,931</u>	<u>360,576</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	3,668,392	(408,050)	1,704,449	1,349,326	6,314,117	(1,475,283)
CASH AND INVESTMENTS, beginning of year	<u>33,344,811</u>	<u>2,573,973</u>	<u>3,086,251</u>	<u>915,318</u>	<u>39,920,353</u>	<u>10,862,295</u>
CASH AND INVESTMENTS, end of year	<u>\$ 37,013,203</u>	<u>\$ 2,165,923</u>	<u>\$ 4,790,700</u>	<u>\$ 2,264,644</u>	<u>\$ 46,234,470</u>	<u>\$ 9,387,012</u>
RECONCILIATION TO STATEMENT OF NET POSITION:						
Cash and investments	37,013,203	2,165,923	4,790,700	2,264,644	46,234,470	9,087,012
Cash and investments with agent	-	-	-	-	-	300,000
CASH AND INVESTMENTS, end of year	<u>\$ 37,013,203</u>	<u>\$ 2,165,923</u>	<u>\$ 4,790,700</u>	<u>\$ 2,264,644</u>	<u>\$ 46,234,470</u>	<u>\$ 9,387,012</u>

See accompanying notes to the financial statements.

**CITY OF CHICO, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 6,809,402	\$ (574,765)	\$ 733,737	\$ (1,424,864)	\$ 5,543,510	\$ 1,736,683
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources:						
Depreciation	4,593,719	153,885	-	1,325,068	6,072,672	1,740
OPEB expense	(31,902)	(5,750)	(31,902)	(4,463)	(74,017)	(32,632)
Pension expense	71,214	12,836	71,214	9,964	165,228	72,846
Miscellaneous revenues	-	-	3,571	22,970	26,541	93,749
Change in assets and liabilities:						
Accounts receivable	(63,869)	-	25,724	2,368	(35,777)	-
Intergovernmental receivables	3,926	-	-	-	3,926	2,088
Inventories	-	-	-	-	-	(5,126)
Deposits with others	2,030	-	-	-	2,030	-
Prepaid	-	-	-	-	-	114,934
Accounts payable	(384,397)	5,565	43,642	3,019,265	2,684,075	(12,031)
Accrued salaries and benefits	10,586	(561)	7,263	2,587	19,875	3,526
Compensated absences	31,114	(14,978)	(70)	(1,143)	14,923	10,354
Unearned revenue	-	-	115,914	-	115,914	-
Deposits	-	-	(55,577)	-	(55,577)	500
Claims liability	-	-	-	-	-	(504,309)
Total adjustments	4,232,421	150,997	179,779	4,376,616	8,939,813	(254,361)
Net cash provided (used) by operating activities	<u>\$ 11,041,823</u>	<u>\$ (423,768)</u>	<u>\$ 913,516</u>	<u>\$ 2,951,752</u>	<u>\$ 14,483,323</u>	<u>\$ 1,482,322</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Transfer of capital assets	\$ 8,121,524	\$ -	\$ -	\$ -	\$ 8,121,524	\$ -
Total noncash investing, capital and financing activities	<u>\$ 8,121,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,121,524</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2021

	Private-purpose Trust Fund	Custodial Funds
Assets		
Restricted cash and investments	\$ 6,193,935	\$ 571,363
Receivables:		
Loans	540,819	26,484
Capital Assets - Land	<u>1,667,105</u>	<u>-</u>
 Total assets	 <u>8,401,859</u>	 <u>\$ 597,847</u>
Liabilities		
Accounts payable	\$ 472	\$ -
Special assessment deposits	-	597,847
Long-term liabilities:		
Due within one year	4,665,000	-
Due in more than one year	<u>53,360,000</u>	<u>-</u>
 Total liabilities	 <u>58,025,472</u>	 <u>597,847</u>
Deferred Inflows of Resources		
Deferred amount on bond refunding	<u>358,932</u>	
Net Position		
Total net position (deficit) held in trust	<u>\$ (49,982,545)</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

CITY OF CHICO, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Private-purpose Trust Fund	Custodial Funds
Additions:		
Property taxes	\$ 8,192,808	\$ -
Sale of capital asset	66,300	-
Use of money and property	72,418	865
Reimbursements	-	37,083
Total additions	8,331,526	37,948
Deductions:		
Obligations	1,900,000	5,187
Interest on bonds payable	1,773,357	1,433
Distribution of sales proceeds	66,300	-
City administrative expenses	145,680	31,328
Total deductions	3,885,337	37,948
Change in net position	4,446,189	-
Net position deficit - beginning	(54,428,734)	-
Net position deficit - ending	\$ (49,982,545)	\$ -

See accompanying notes to the financial statements.

***NOTES TO THE
FINANCIAL STATEMENTS***

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The City of Chico, California (City) was incorporated on February 5, 1872 under the laws of the State of California. The City is a charter city and is governed by a seven member City Council. The City provides a full range of services including police and fire protection; sanitation; parking and transportation services; the construction and maintenance of highways, streets and infrastructure; and recreational activities and cultural events. The City's reporting entity includes all of the funds of the City, as well as the Chico Urban Area Joint Powers Financing Authority (JPFA) which is reported as a discretely presented component unit as the economic resources of the JPFA directly benefit the City and its inclusion is considered necessary to ensure complete financial reporting.

B.

Discretely Presented Component Unit

Chico Urban Area Joint Powers Financing Authority

In August 2005, the governing boards of the Chico Redevelopment Agency, which due to State Assembly Bill IX 26 is now known as the Successor Agency to the Chico Redevelopment 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). Subsequent to dissolution of the Chico Redevelopment Agency, the governing Board of the JPFA is composed of two members of the Butte County Board of Supervisors and two members of the Chico City Council. 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 financial activity of the JPFA is included in the City of Chico's financial statements as a discretely presented component unit as the JPFA provides a financial benefit by contributing to the City's Sewer Enterprise Fund. Complete financial statements of the JPFA may be obtained from the Finance Department of the City of Chico at 411 Main Street, Chico, California 95928.

C. 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 nonfiduciary activities of the primary government and its component units.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 or applicants 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. Taxes, investment earnings, and other items, which are excluded from program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **CDBG and HOME Housing Special Revenue Fund** accounts for the Community Development Block Grant (CDBG) annual federal grant program and the state and federal HOME grant programs. The CDBG program provides for the development of a viable urban community by providing a suitable living environment and expansion of economic opportunities, principally for low and moderate income residents. The HOME program provides for the development of affordable housing and mortgage subsidy programs and housing rehabilitation to benefit low-income households. Use of CDBG and HOME funding is restricted per federal guidelines.

The **Public Facilities Impact Fee Capital Projects Fund** accounts for the collection of and expenditures of fees imposed as a condition of new development within the City. Impact fees have been established for each of the following types of public facilities:

- Bikeway improvement
- Street facility improvement
- Storm drainage facility
- Sewer trunk line capacity
- Water Pollution Control Plant capacity
- Sewer lift stations
- Community parks
- Bidwell Park land acquisition
- Major maintenance equipment
- Administrative building
- Fire protection building and equipment
- Police protection building and equipment
- Neighborhood parks

The **Capital Grants Capital Projects Fund** accounts for the receipts and disbursements for a variety of governmental fund capital grants.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The **Low and Moderate Income Housing Asset Special Revenue Fund** accounts for all activities resulting from the elimination of the Redevelopment Agency's low and moderate housing function. Primarily, this Fund utilizes program income from loan payments restricted for the development and assistance for low income households. New loans conveyed to the Fund from the Successor Agency are recorded as other transfers from the private-purpose trust fund. Use of these Housing Funds is restricted according to the provisions contained in California State Assembly Bill 1X26 and California State Assembly Bill 1484.

The City reports the following major proprietary funds:

The **Sewer Enterprise Fund** accounts for sanitary sewer collection system and Water Pollution Control Plant operations, including major repair and replacement of the City's Water Pollution Control Plant facilities.

The **Parking Enterprise Fund** accounts for parking facilities operations and improvements.

The **Private Development Enterprise Fund** accounts for private development planning and building inspection and subdivision planning and inspection.

The **Airport Enterprise Fund** accounts for airport operations and improvements.

Additionally, the City reports the following fund types:

Internal Service Funds account for self insurance, central garage, municipal building maintenance, pension funding and information services provided to other departments or agencies of the City on a cost-reimbursement basis.

The **Private-purpose Trust Fund** is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, deferred inflows, liabilities, and activities of the Successor Agency of the City of Chico Redevelopment Agency (Successor Agency) and the Chico Public Financing Authority which is also included within the Successor Agency's fiscal activity.

The **Custodial Fund** is custodial in nature and does not involve measurement of results of operations. The Fund accounts for assets held by the City as an agent for bonded assessment districts.

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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales tax true up payments, which the City considers to be available if they are collected within seven months of the

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures, such as principal, interest and compensated absences, are recorded as fund liabilities only when they become due and payable. The City includes certain indirect costs as program expenses, which are reported in the City's functional activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds report the Private Purpose Trust Funds and Custodial Funds.

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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

Cash and Investments

Cash and investments (including restricted assets) held in the City's investment pool are reported as cash and cash equivalents in the statements of cash flows of the proprietary fund types.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Restricted Cash and Investments

Restricted cash and investments represent amounts that are restricted for debt service, capital projects, and other amounts held in connection with the City's self-insurance programs.

Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

are reported as either "due from/due to other funds" (amounts due within one year) or "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances to other funds are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All property taxes are collected and allocated by the County of Butte to the various taxing entities. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The City participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the City based on assessments, not on collections. Property tax is recognized when it is measurable and available. The City considers property tax as available if it is received within 60 days after year end.

Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year end; therefore, revenue from taxpayer-assessed taxes is accrued if it is received by August 31.

The City records its receivables as follows:

1. Interest receivable represents interest earned by the City's cash and investment pool at year end and available within the 60 day availability period. In addition, interest receivable also includes interest from loans receivable with the portion available within 60 days recorded as revenue and the portion not available within 60 days recorded as unavailable revenue or deferred inflows of resources.
2. Property taxes receivable represents property taxes received from Butte County within the 60 day availability period.
3. Accounts receivable represents amounts due from non-governmental entities for revenue earned and available at year end. These include transient occupancy taxes, franchise fees and utility user taxes.
4. Intergovernmental receivables represent amounts due from governmental entities for revenue earned and available at year end and within the 60 day availability period. These include sales taxes, grants, and other revenue from federal, state and county sources.

Grant and entitlement revenues are recorded as receivables in the funds when they are susceptible to accrual (i.e., when all eligibility requirements have been met). The corresponding governmental fund revenues are recorded when they become measurable and available, with the differences recorded as deferred inflows of resources. The corresponding proprietary fund grant revenues are recorded as nonoperating revenues when the receivables are recorded.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost using the first-in/first-out (FIFO) method. The cost is recorded as inventory when items are purchased and as expenses when the items are used.

Capital Assets

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, which include land, easements, buildings, improvements, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as equipment with an initial individual cost of more than \$20,000 and all other capital assets with an initial individual cost of more than \$100,000 and an estimated useful life in excess of one year. In addition, the City capitalizes all capital assets with an individual cost of \$5,000 for all assets acquired with federal funds. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is recorded using the straight line method over the following estimated useful lives of the assets:

Buildings	30-40 years
Improvements other than buildings	20-50 years
Equipment, furniture and vehicles	3-30 years
Roadways	50 years
Bridges	30-50 years
Drainage	50 years

Capital leases are recorded as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of future minimum lease payments during the lease term.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and compensatory time. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The City's liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; as these liabilities represent the matured value due to retirement or resignations; the long-term portion is recorded in the Statement of Net Position.

Compensated absences are liquidated by the fund that has recorded the liability only when matured. The long-term portion of governmental activities is liquidated primarily by the General Fund.

Long-Term Debt

In the government-wide financial statements, proprietary fund types and fiduciary fund types in the fund financial statements, long-term debt, along with other long-term obligations are reported as long-term liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are expensed in the period incurred.

Fund Balance

In the fund financial statements, the City's Governmental Funds report the following fund balances:

Non-spendable fund balances are not expected to be converted to cash within the next operating cycle and are typically comprised of long-term receivables, prepaid items and advances to other funds.

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restrictions are also recorded for long-term loans receivable that originate from funding sources that are externally restricted.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment through a City Resolution.

Assigned fund balances include amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. As contained in the City's budget policies, the City Council has authorized the City Manager to establish, modify, or rescind a fund balance assignment made within the confines of the budget policies.

Unassigned fund balance is the residual classification for the City's funds and includes all spendable amounts not contained in the other classifications. The General Fund is the only fund that may report a positive unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Net Position

In the government-wide statements, the City's net position is classified in the following categories:

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents the net position of the City, which is not restricted or invested in capital assets net of related debt for any project or other purpose.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first followed by unrestricted resources as they are needed.

Reserve Policies

The City Council has established policies for operating reserves, emergency reserves and compensated

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

absence reserves. The operating reserve is targeted at seven and one-half percent of General Fund operating expenditures. The emergency reserve was established to help buffer the City from issues such as fluctuation in sales tax, changes in state laws that impact City finances and other catastrophic events. The desired level of the emergency reserve is twenty percent of General Fund operating expenditures. The compensated absence reserve is targeted at 50% of the citywide liability for leave payouts when employees separate from City employment. The City is not meeting the minimum operating or desired emergency reserve and compensated absence reserve levels.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualify for reporting in this category. It is the deferred outflows related to pensions reported in the government-wide statement of net position. This item represents pension contributions made subsequent to the measurement date and is discussed in Notes 12 and 13.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has several types of deferred inflows of resources. Deferred inflows related to pensions that are reflected in the statements of net position. These items are further discussed in Notes 12 and 13.

Two items, unavailable housing loan interest revenue and unavailable revenue, arise only under a modified accrual basis of accounting. Accordingly, these items are reported only in the governmental funds statement of net position and are discussed in Note 4. The Private Purpose Trust fund includes deferred inflow related to the deferred amount on refunding.

E. 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 City's California Public Employees Retirement System (CalPERS) Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

The annual operating budget is adopted by the City Council on or before the first meeting in July each year on a basis consistent with accounting principles generally accepted in the United States of America. The appropriated budget is prepared by fund, department, function, and activity. The City Manager is authorized to transfer budget amounts up to \$50,000 between departments without City Council approval. Any budget transfers in excess of \$50,000 must be approved by City Council. All City governmental and proprietary funds have approved budgets. Original appropriations are adjusted by supplemental appropriations and budget modifications approved during the year, creating the modified adopted budget.

Budgetary comparisons and reconciliations are included in Required Supplementary Information as Schedules of Revenue and Changes in Fund Balance – Budget and Actual, for the General Fund, CDBG and HOME

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Housing Fund, and the Low and Moderate Income Housing Asset Fund. In addition, a budgetary comparison and reconciliation is included in the Supplemental Budgetary Comparisons section as Schedules of Revenue and Changes in Fund Balance – Budget and Actual, for the Capital Grants Fund. Annual budgets are adopted on a budgetary basis.

Interfund Transactions

Interfund transactions between funds are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables or payables as appropriate, and are subject to elimination upon consolidation. The City transfers resources among funds in the course of normal operations. Services provided, deemed to be at market or near market rates, such as vehicle maintenance, are accounted for as revenues and expenditures/expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions are reported as transfers.

G. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the City's financial reporting process. New standards applicable to the year ending June 30, 2021 are as follows:

GASB Statement No. 84 – Fiduciary Activities. 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 requirement of this Statement are effective for reporting periods beginning after December 15, 2020. The City implemented this statement.

The City is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB statements:

Statement No. 87, "Leases." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement has been implemented.

Statement No. 91, "Conduit Debt Obligations." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

Statement 92, "Omnibus 2020." The requirements of this Statement, The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

Statement 93, "Replacement of Interbank Offered Rates." The requirement in paragraph 11b will take effect for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.

Statement No. 96, "Subscription-Based Information Technology Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.

Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. CASH AND INVESTMENTS

At June 30, 2021, the City's cash and investments at fair value were as follows:

Statement of Net Position				
	Primary	Discretely Presented	Fiduciary Fund Statement of	Total
	Government	Component Unit	Net Position	
Cash and investments	\$ 158,151,208	\$ -	\$ -	\$ 158,151,208
Restricted cash and investments	2,463,206	1,516,271	6,765,297	10,744,774
Imprest Cash	1,405	-	-	1,405
Total cash and investments	<u>\$ 160,615,819</u>	<u>\$ 1,516,271</u>	<u>\$ 6,765,297</u>	<u>\$ 168,897,387</u>

At June 30, 2021, the City's cash and investments consist of the following:

Cash on Hand	\$ 1,405
Deposits with Financial Institutions	25,241,270
Investments	<u>143,654,712</u>
	<u>\$ 168,897,387</u>

Authorized Investments

The table below identifies the investment types that are authorized by the City's investment policy and California Government Code Section 53601. The City's investment policy is more restrictive than the California Government Code, as the City may not invest in derivatives or reverse repurchase agreements. The City's investment policy limits the amount of funds invested in instruments with maturities over one year to 15%, unless adequate liquidity is available, yield appears favorable and the City Manager approves the investment in advance. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City rather than the general provisions of the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
U.S. Treasury Securities	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Money Market Mutual Funds	N/A	20%	10%	AAA
Collateralized Bank Deposits	N/A	30%	None	None
State and Local Agency Bonds	5 years	None	5%	None
Repurchase Agreements	5 years	None	5%	None
Commercial Paper	270 days	25%	5%	A-1
Corporate Notes	5 years	30%	5%	A
Supranationals	5 years	30%	None	AA
Local Agency Investment Fund	N/A	None	None	None
Certificates of Deposit	5 years	None	5%	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee are governed by the provisions of the debt agreements. These agreements specify that the eligible investments are those that are permitted by California Government Code Section 53601 at the time of the investment.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that the City will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that the City's bank deposits are insured by Federal Depository Insurance Corporation (FDIC). The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions: 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 depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As of June 30, 2021, the City's balance in financial institutions was 25,241,270, which was covered by collateral held in the pledging bank's trust department in the name of the City of Chico.

Interest Rate

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 its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City manages its exposure to interest rate risk by investing in the Local Agency Investment Fund (LAIF), which provides the necessary cash flow and liquidity needed for operations, as well as purchasing a combination of shorter term and longer-term investments so that a portion of the portfolio is maturing or coming close to maturing evenly over time. The City uses the segmented time distribution method for reporting its interest rate risk.

As of 2021, the City's investments distributed by maturity are as follows:

Investment Type	Remaining Maturity by Fair Value					
	Total Fair Value	Less than One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years
With Fiscal Agent:						
Money Market Mutual Funds	\$ 2,039,030	\$ 2,039,030	\$ -	\$ -	\$ -	\$ -
With City Treasury:						
Certificate of Deposit	17,121,803	5,811,230	3,373,474	2,609,173	3,335,024	1,992,902
Corporate	11,158,564	-	-	-	2,674,801	8,483,763
Supranational Corporate	2,963,603	-	-	-	-	2,963,603
State & Local Bond	7,732,984	-	-	-	5,747,109	1,985,875
Federal Agency	26,045,178	-	-	-	7,952,404	18,092,774
Money Market Mutual Funds	21,432,320	21,432,320	-	-	-	-
Caltrust Investments	50,105	50,105	-	-	-	-
Local Agency Investment Pool (LAIF)	55,111,124	55,111,124	-	-	-	-
Total Investments	\$ 143,654,712	\$ 84,443,809	\$ 3,373,474	\$ 2,609,173	\$ 19,709,339	\$ 33,518,917

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, 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. It is the City's policy to purchase investments with the minimum ratings required by the California Government Code.

<u>S & P Rating</u>	<u>Percentage of Investment Portfolio</u>
AAA	5.63%
AA+	35.31%
AA	3.08%
AA-	5.73%
A	3.31%
A-	3.37%
BBB+	6.48%
Not Rated	35.65%

The City invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. LAIF has oversight by the Local Agency Investment Advisory Board. The fair value of the City's position in the pool is based upon the City's pro-rata share of the fair value provided by LAIF for the entire pool.

In accordance with authorized investment laws, LAIF invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. LAIF is not registered with the Security and Exchange Commission and is not rated.

Discretely Presented Component Unit

Restricted cash and investments held by the JPFA total \$1,516,271.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

As of June 30, 2021 cash and investments that are restricted by legal or contractual requirements are comprised of the following:

Fair Value Measurements

Governmental Activities:

General Fund

	Amount	Totals
Restricted Section 115 Pension Trust	\$ 2,039,030	
Total General Fund		\$ 2,039,030

Non-major Governmental Funds

Restricted bond proceeds	124,176	
Total Non-major Governmental Funds		124,176

Total primary governmental activates restricted cash and investments		2,163,206
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Discretely Presented Component Unit:

Restricted for capital projects and debt service	1,516,271	
Total JPFA restricted cash and investments		1,516,271

Fiduciary Funds

Private-purpose Trust Fund

Restricted for Successor Agency Recognized Obligations	6,193,935	
Total Private-purpose Trust Fund		6,193,935

Restricted for debt service	571,362	
Total Custodial Funds		571,363
Total Fiduciary Fund restricted cash and investments		6,765,298

Total restricted cash and investments		\$ 10,444,775
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Statement No. 72 of the Governmental Accounting Standards Board (“GASB”) *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes investment valuation techniques used to measure fair value. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. CASH AND INVESTMENTS (Continued)

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment. The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The City's Level 1 investments consist of mutual funds that have values calculated from the daily closing prices of all the underlying assets.

For a large portion of the City's portfolio, the City's custodians generally uses a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. The City's Level 2 investments primarily consist of investments in certificates of deposit that did not trade on the City's fiscal year end date.

The City did not have any Level 3 investments at June 30, 2021. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

Investments in money market funds and guaranteed investment contracts are reported at amortized cost. Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of \$1 and not fair value. Accordingly, the City's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. CASH AND INVESTMENTS (Continued)

As of June 30, 2021, the City has the following fair value measurements:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Total
Investments by fair value:			
Corporate Holdings	\$ -	\$ 11,158,564	\$ 11,158,564
Supranationals	-	2,963,603	2,963,603
State and Local Securities	-	7,732,984	7,732,984
Federal Agency Securities	26,045,178	-	26,045,178
Mutual Funds	23,471,350	-	23,471,350
Certificates of Deposit	17,121,803		17,121,803
Total investments measured at fair value	<u>\$ 66,638,331</u>	<u>\$ 21,855,152</u>	<u>\$ 88,493,483</u>
Investments measured at amortized costs or not subject to fair value hierarchy:			
CalTRUST Trust			50,105
Local Agency Investment Fund			55,111,124
Total investments measured at fair value			<u>\$ 143,654,712</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

3. RECEIVABLES

The following summarizes the City's governmental activities receivables as of June 30, 2021:

	Interest	Property Taxes	Accounts	Inter- governmental	Loans	Total
Governmental activities:						
General Fund	\$ 210,364	\$ 573,107	\$ 2,026,095	\$ 6,749,239	\$ -	\$ 9,558,805
CDBG and HOME Housing Fund	943,476	-	-	319,638	7,415,182	8,678,296
Capital Grants Fund	-	-	-	3,582,660	-	3,582,660
Low and Moderate Income						
Housing Asset Fund	10,548,433	-	-	-	54,562,354	65,110,787
Other Nonmajor Governmental Funds	99	27,614	51,269	1,617,275	23,477	1,719,734
Internal Service Funds	-	-	191,533	-	-	191,533
Total governmental activities	\$ 11,702,372	\$ 600,721	\$ 2,268,897	\$ 12,268,812	\$ 62,001,013	\$ 88,841,815

Loans Receivable

The loans receivable in the CDBG and HOME Housing Fund and Low and Moderate Income Housing Asset Fund of \$ 7,415,182 and \$ 54,562,354 consist of loans made for low and moderate income housing rehabilitation, property improvement and small business origination. The loans are collateralized by deeds of trust on the improved properties and bear annual interest at 0.0 - 7.5 percent. The City considers these long-term loans to be collectible, and the amounts are included in restricted fund balance. Due to the likelihood of collectability, the City has not recorded an allowance for uncollectible accounts. Related accrued interest is recorded as interest receivable and unavailable revenue.

The following summarizes the City's business-type activities receivables as of June 30, 2021:

	Accounts	Inter- governmental	Total
Business-type activities:			
Sewer Fund	\$ 2,557,667	\$ 6,905	\$ 2,564,572
Parking Fund	2,661	-	2,661
Private Development Fund	225,986	-	225,986
Airport Fund	55,438	3,266,828	3,322,266
Total business-type activities	\$ 2,841,752	\$ 3,273,733	\$ 6,115,485

Accounts receivable in the Sewer Fund is composed of \$ 2,557,667 in sewer service fees billed for services rendered on or before June 30, 2021 and received in the months of July and August of 2021 and \$ 6,905 in sewer development impact fees owed to the City as of June 30, 2021.

The intergovernmental receivable of \$3,266,828 in the Airport Fund represents a receivable for an Airport Improvement Program grant.

Accounts receivable in the Private Development fund are for services provided for community development services provided to developers.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

4. UNAVAILABLE REVENUE

The City recognized deferred inflows of resources in the governmental fund statements. These items are an acquisition of fund balance by the City that is applicable to a future reporting period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e., measureable and available to finance expenditures of the current period). Government funds report revenues not susceptible to accrual as deferred inflows of resources. The City has two items that are reportable on the government fund statements: the first item relates to housing loan interest receivable and the second relates to grant receivables and development impact fees receivables that are not available for revenue recognition.

Deferred inflows of resources balances for the year ended June 30, 2021 were as follows:

	Unavailable Housing Loan Revenue	Unavailable Revenue	Total
General Fund	\$ -	\$ 1,175,953	\$ 1,175,953
CDBG and HOME Housing Fund	943,476	-	943,476
Capital Grants Fund	-	834,334	834,334
Low and Moderate Income Housing Asset Fund	10,548,433	623,754	11,172,187
Other Nonmajor Governmental Funds	-	92,851	92,851
Total governmental funds	<u>\$ 11,491,909</u>	<u>\$ 2,726,892</u>	<u>\$ 14,218,801</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5. CAPITAL ASSETS

Capital assets for governmental activities for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 31,456,230	\$ 105,695	\$ -	\$ -	\$ 31,561,925
Construction in progress	25,936,810	4,614,682		(4,890,901)	25,660,592
Total capital assets, not being depreciated	<u>57,393,040</u>	<u>4,720,377</u>	<u>-</u>	<u>(4,890,901)</u>	<u>57,222,517</u>
Capital assets being depreciated:					
Buildings	22,360,645	-	-	-	22,360,645
Improvements other than buildings	20,951,927	1,285,185	-	781,912	23,019,024
Equipment, furniture and vehicles	23,574,384	446,684	(1,267,487)	186,497	22,940,078
Infrastructure	399,782,032	5,773,310	-	3,922,492	409,477,834
Total capital assets, being depreciated	<u>466,668,988</u>	<u>7,505,179</u>	<u>(1,267,487)</u>	<u>4,890,901</u>	<u>477,797,581</u>
Less accumulated depreciation for:					
Buildings	(13,330,291)	(500,970)	-	-	(13,831,262)
Improvements other than buildings	(14,169,628)	(529,579)	-	-	(14,699,206)
Equipment, furniture and vehicles	(13,688,469)	(1,548,907)	1,252,689	-	(13,984,687)
Infrastructure	(157,145,371)	(9,730,850)	-	-	(166,876,221)
Total accumulated depreciation	<u>(198,333,759)</u>	<u>(12,310,306)</u>	<u>1,252,689</u>	<u>-</u>	<u>(209,391,376)</u>
Total capital assets being depreciated, net	<u>268,335,229</u>	<u>(4,805,127)</u>	<u>(14,798)</u>	<u>4,890,901</u>	<u>268,406,205</u>
Governmental activities capital asset, net	<u>\$ 325,728,269</u>	<u>\$ (84,750)</u>	<u>\$ (14,798)</u>	<u>\$ -</u>	<u>\$ 325,628,722</u>

Reconciliation of Governmental activities capital asset increases:

Total capital assets, not being depreciated - increases	\$ 4,720,377
Total capital assets, being depreciated - increases	7,505,179
Governmental activities capital asset increases	<u>\$ 12,225,556</u>
Governmental Funds - capital outlay	\$ 10,152,893
Donations and contributed capital*	2,072,665
Transfer from Internal Service Fund	
Governmental activities capital asset increases	<u>\$ 12,225,556</u>

*Donations and contributed capital represents infrastructure conveyed to the City as a result of completed subdivisions, easements and infrastructure donated through developer agreements.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5. CAPITAL ASSETS (Continued)

Capital assets for business-type activities for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,154,341	\$ -	\$ -	\$ -	\$ 2,154,341
Construction in progress	16,308,401	11,382,213	-	(3,069,572)	24,621,042
Total capital assets, not being depreciated:	<u>18,462,742</u>	<u>11,382,213</u>	<u>-</u>	<u>(3,069,572)</u>	<u>26,775,383</u>
Capital assets, being depreciated:					
Buildings	19,412,388	-	-	-	19,412,388
Improvements other than buildings	192,787,061	1,011,175	-	3,069,572	196,867,808
Equipment, furniture and vehicles	3,024,653	-	(40,345)	-	2,984,308
Total capital assets, being depreciated:	<u>215,224,102</u>	<u>1,011,175</u>	<u>(40,345)</u>	<u>3,069,572</u>	<u>219,264,504</u>
Less accumulated depreciation for:					
Buildings	(14,720,528)	(504,742)	-	-	(15,225,270)
Improvements other than buildings	(83,672,121)	(5,461,209)	-	-	(89,133,330)
Equipment, furniture and vehicles	(2,425,068)	(106,722)	40,345	-	(2,491,445)
Total accumulated depreciation	<u>(100,817,717)</u>	<u>(6,072,674)</u>	<u>40,345</u>	<u>-</u>	<u>(106,850,046)</u>
Total capital assets being depreciated, net	<u>114,406,385</u>	<u>(5,061,499)</u>	<u>-</u>	<u>3,069,572</u>	<u>112,414,458</u>
Business-type activities capital assets, net	<u>\$ 132,869,127</u>	<u>\$ 6,320,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,189,842</u>

Reconciliation of Business-type activities capital asset increases:

Total capital assets, not being depreciated - increases	\$ 11,382,213
Total capital assets, being depreciated - increases	1,011,175
Business-type activities capital asset increases	<u>\$ 12,393,388</u>
Business-type activities - capital outlay	\$ 3,576,481
Donations and contributed capital*	8,816,907
Business-type activities capital asset increases	<u>\$ 12,393,388</u>

* Donations and contributed capital represent the conveyance of sewer infrastructure from the JPFA to the City's Sewer Fund as well as completed subdivisions, easements and infrastructure donated through developer agreements.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 414,763
Public safety	1,344,337
Public works	10,122,188
Parks and recreation	412,625
Community development	14,654
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,740</u>
Total depreciation expense - governmental activities	<u>\$ 12,310,307</u>
Business-type activities:	
Sewer	\$ 4,593,719
Parking	153,885
Airport	<u>1,325,068</u>
Total depreciation expense - business-type activities	<u>\$ 6,072,672</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

6. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Direct Borrowings					
Capital leases-direct financing	\$ 2,525,656	\$ -	\$ (527,782)	\$ 1,997,874	\$ 443,788
Compensated absences	3,534,565	1,964,596	(2,002,149)	3,497,012	442,651
Self-insurance claims & settlements	8,091,758	2,530,000	(3,034,309)	7,587,449	2,777,648
Governmental activities long term liabilities	<u>\$ 14,151,979</u>	<u>\$ 4,494,596</u>	<u>\$ (5,564,240)</u>	<u>\$ 13,082,335</u>	<u>\$ 3,664,087</u>
Business-type Activities:					
Direct Borrowings					
Loans payable	\$ 27,266,181	\$ 19,735,000	\$ (29,151,181)	\$ 17,850,000	\$ 1,610,000
Compensated absences	456,559	255,117	(240,194)	471,482	59,680
Total before premium	27,722,740	19,990,117	(29,391,375)	18,321,482	1,669,680
Premium - net	-	4,170,292	(439,982)	3,730,309	-
Business-type activities long-term liabilities	<u>\$ 27,722,740</u>	<u>\$ 24,160,409</u>	<u>\$ (29,831,357)</u>	<u>\$ 22,051,791</u>	<u>\$ 1,669,680</u>

The City's outstanding capital leases from direct borrowings, secured by equipment, related to governmental activities of \$1,997,874 contain provisions that in an event of default, outstanding amounts become immediately due if the City is unable to make a payment, if the City is unable to pay the full balance all equipment is to be returned at the expense of the City.

The City's outstanding loans from direct borrowings related to business-type activities of \$17,850,000 contain a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due.

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Installments	Original Issue Amount	Outstanding at June 30, 2021
Governmental Activities:					
Capital Leases					
Oshkosh Capital	7/25/2024	2.46%	\$ 136,868	\$ 1,200,359	\$ 514,892
Oshkosh Capital	4/25/2025	2.80%	224,132	1,931,551	837,119
Motorola Solutions, Inc.	11/1/2025	4.06%	145,322	870,306	645,863
Total governmental activities capital lease				<u>4,002,216</u>	<u>1,997,874</u>
Total governmental activities				<u>\$ 4,002,216</u>	<u>\$ 1,997,874</u>
Business-Type Activities:					
Loans Payable					
Bank of America	12/1/2029	2.60%	\$ 2,276,673	\$ 33,613,142	\$ 17,850,000
Total business-type activities loans payable				<u>33,613,142</u>	<u>17,850,000</u>
Total business-type activities				<u>\$ 33,613,142</u>	<u>\$ 17,850,000</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

6. LONG-TERM LIABILITIES (Continued)

Governmental Activities:

Direct financing

Capital Leases

Lease payable to Oshkosh Capital; for a Pierce Arrow XT Quint Aerial Truck for the Fire Department; interest at 2.46%; due in annual installments on July 25, in the amount of \$136,868, including interest, through July 25, 2024. Original lease amount was \$1,200,359. Payments to be made from General Fund.

	<u>Amount</u>	<u>Totals</u>
	\$ 514,892	

Lease payable to Oshkosh Capital; for three Pierce Velocity Pumpers for the Fire Department; interest at 2.80%; due in annual installments on April 22, in the amount of \$224,132, including interest, through April 25, 2025. Original lease amount was \$1,931,551. Payments to be made from General Fund.

837,119

Lease payable to Motorola, Inc, 130 All Band Digital Portable Radios for the police department. Interest is 4.060%, payments are in annual installments on November 1, in the amount of \$145,323. Original lease amount was \$870,305.76. Payments to be made from the General Fund.

645,863

Total governmental activities capital leases

\$ 1,997,874

Total governmental activities long-term liabilities

\$ 1,997,874

Business-Type Activities:

Direct borrowings

Loans Payable

Loan payable to the BofA Securities, Inc.; for the Sewer Revenue Refunding Bonds, Series 2020; interest at 5%; due in annual installments on December 1 and June 1, including interest, through December 1, 2029. Original loan amount was \$19,735,000.

	<u>Amount</u>	<u>Totals</u>
	\$ 17,850,000	

Total business-type activities loans payable

\$ 17,850,000

Total business-type activities long-term liabilities

\$ 17,850,000

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

6. LONG-TERM LIABILITIES (Continued)

In September of 2020, the City entered into a Bond Purchase Agreement with Bank of America Securities to issue \$19,735,000 in Bonds. Proceeds from the sale of the Bonds were used to prepay, in full, amounts due to the California State Water Resources Control Board for the Sewer Fund, pursuant to a state revolving fund loan agreement from 2008 and to pay the costs of issuing the Bonds.

The refunding was undertaken to reduce total debt service payments by, approximately \$1,799,136 over the term and resulted in an economic gain of \$1,741,109.

Debt service requirements at June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Capital Leases from Direct Financing		Loans from Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 443,788	\$ 62,534	\$ 1,610,000	\$ 852,250
2023	457,343	48,979	1,695,000	727,250
2024	471,329	34,993	1,780,000	638,250
2025	485,760	20,562	1,870,000	544,750
2026	139,654	5,670	1,965,000	446,500
2027-2030	-	-	8,930,000	697,250
Total	<u>\$ 1,997,874</u>	<u>\$ 172,738</u>	<u>\$ 17,850,000</u>	<u>\$ 3,906,249</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

6. LONG-TERM LIABILITIES (Continued)

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when all terms of the lease agreement are met.

	Interest Rate	Present Value at June 30, 2021
Governmental Activities:		
Fire Department Tiller Truck	2.46%	\$ 514,892
Fire Department Pumpers (3)	2.80%	837,119
Radios	4.06%	645,863
Total Capital Lease Obligations		<u>\$ 1,997,874</u>

Equipment and related accumulated amortization under capital lease are as follows:

	Governmental Activities
Equipment	\$ 4,474,788
Less: accumulated depreciation	(1,040,108)
Net Value	<u>\$ 3,434,680</u>

As of June 30, 2020, capital lease annual amortization are as follows:

Year ending June 30:	Governmental Activities
2022	\$ 506,321
2023	506,322
2024	506,322
2025	506,322
2026	145,324
Total requirements	2,170,612
Less interest	(172,738)
Present value of remaining payments	<u>\$ 1,997,874</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

7. INTERFUND ACTIVITY

Due From/To Other Funds

Amounts due from/to other funds at June 30, 2021

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Funds	Capital Grants Fund	\$ 2,639,923
	Total Due From/Due	<u>\$ 2,639,923</u>

Due from/to other funds typically result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, or (4) revenue earned by the Fund is not received until just after the end of the fiscal year, normally 60 days. All of these due from/to balances are anticipated to be paid back completely within the next fiscal year.

Advances To/From Other Funds

Advances from /to other funds at June 30, 2021

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Infrastructure Impact Fees	Nonmajor Governmental Funds	\$ 42,205
	Subtotal	<u>42,205</u>
	Total Advances	<u>\$ 42,205</u>

All advances are due to cash deficits as listed for each payable fund. In addition, no formal borrowing arrangements exist. Finally, all payable funds may be unable to repay the advance within the next fiscal year.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

7. INTERFUND ACTIVITY (Continued)

Transfers From/To Other Funds

The following is a schedule of interfund transfers from/to other funds as of June 30, 2021:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Low & Mod Income Housing Asset	\$ 4,667
	Nonmajor Governmental Funds	4,264,443
	Enterprise Funds	2,241,583
	Internal Service Funds	149,030
	Subtotal	<u>6,659,723</u>
Public Facilities Impact	Enterprise Funds	79,262
	Subtotal	<u>79,262</u>
Low & Mod Income Housing Asset Fund	CDBG and HOME Housing Fund	16,158
	Subtotal	<u>16,158</u>
Nonmajor Governmental	General Fund	2,169,430
	Subtotal	<u>2,169,430</u>
Enterprise Funds	General Fund	160,500
	Public Facilities Impact Fees	1,204
	Nonmajor Governmental Funds	216,904
	Enterprise Funds	49,855
	Subtotal	<u>428,463</u>
Internal Service Funds	General Fund	687,319
	Nonmajor Governmental Funds	39,880
	Subtotal	<u>727,199</u>
	Total Transfers	<u>\$ 10,080,235</u>

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenue.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

8. RESTRICTED NET POSITION/FUND BALANCES

A. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. The following is a detailed schedule of the Governmental Funds fund balance classifications as of June 30, 2021:

	General	CDBG & HOME Housing	Public Facilities Impact Fees	Capital Grants	Low & Moderate Income Housing Asset Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances (deficit):							
Nonspendable							
Prepaid items	\$ 174,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,660
	<u>174,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,660</u>
Restricted							
Capital projects	-	-	32,395,488	-	-	2,663,699	35,059,187
Housing	-	7,646,405	-	-	56,102,408	-	63,748,813
Transportation related projects	-	-	-	-	-	10,469,669	10,469,669
Maintenance districts	-	-	-	-	-	4,378,909	4,378,909
Other purposes	-	-	-	-	-	762,477	762,477
Police officer salary grant	211,002	-	-	-	-	-	211,002
Setion 115 Trust	2,039,030	-	-	-	-	-	2,039,030
	<u>2,250,032</u>	<u>7,646,405</u>	<u>32,395,488</u>	<u>-</u>	<u>56,102,408</u>	<u>18,274,754</u>	<u>116,669,087</u>
Committed							
Compensated absences	1,513,524	-	-	-	-	-	1,513,524
Donations	429,788	-	-	-	-	-	429,788
Emergency contingencies	10,385,373	-	-	-	-	-	10,385,373
	<u>12,328,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,328,685</u>
Assigned							
Equipment replacement	-	-	-	-	-	2,736,595	2,736,595
Capital projects	5,901,409	-	-	-	-	2,713,666	8,615,075
Remediation	-	-	-	-	-	501,024	501,024
Subsequent year budget	3,586,641	-	-	-	-	-	3,586,641
	<u>9,488,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,951,285</u>	<u>15,439,335</u>
Unassigned							
General Fund	15,191,331	-	-	-	-	-	15,191,331
Capital Projects Funds	-	-	-	(834,334)	-	-	(834,334)
	<u>15,191,331</u>	<u>-</u>	<u>-</u>	<u>(834,334)</u>	<u>-</u>	<u>-</u>	<u>14,356,997</u>
Total fund balances (deficit)	<u>\$ 39,432,758</u>	<u>\$ 7,646,405</u>	<u>\$ 32,395,488</u>	<u>\$ (834,334)</u>	<u>\$ 56,102,408</u>	<u>\$ 24,226,039</u>	<u>\$ 158,968,764</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

8. RESTRICTED NET POSITION/FUND BALANCES (Continued)

B. DEFICIT FUND EQUITY

The General Fund departments listed below reported deficit fund balances or net position on June 30, 2021:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Private Development Fund	\$ (3,711,476)
Capital Grants Fund	(834,334)
Central Garage Fund	(2,340,956)
Municipal Building Maintenance Fund	(1,721,155)
Information Services Fund	<u>(3,540,088)</u>
Total Deficit Funds	<u>\$ (12,148,009)</u>

Private Development Fund

The Net Position of the Private Development Fund has a deficit largely due to the recording of the net pension liability under GASB No. 68.

Capital Grants Fund Deficit

The Capital Grants Capital Projects Fund deficit represents grant expenditures that had not been reimbursed by granting agencies within the 60-day period of availability for which corresponding revenues have not been recognized. The deficit amount is recorded as a deferred inflow of resources on the Fund's Balance Sheet. Projects are invoiced at completion and expenditures are subject to audit by the granting agencies. Collection of reimbursements can take several years.

Central Garage, Municipal Building Maintenance, Self Insurance and Information Service Internal Service Funds

The Net Position of Internal Service Funds have a deficit largely due to the recording of the net pension liability under GASB No. 68. Actuarial estimates for future claims reserve contributed to a deficit in the Self Insurance Fund.

Other Deficits

The remaining fund deficits represent development impact fee funds that have constructed infrastructure projects prior to the collection of impact fees. These funds by their nature are created in a way that total fees collected/earned over the life of each fund should be adequate to cover total expenses. As a result, future revenue should cover the deficits over the life of each impact fee fund. However, failure by each fund to recover future revenue necessary to reduce each fund deficits may result in remaining deficits becoming an obligation of the General Fund.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

8. RESTRICTED NET POSITION/FUND BALANCES (Continued)

C. OTHER FUND DISCLOSURES

The following funds had an excess of expenditures over appropriations on June 30, 2021:

<u>General Fund Department</u>	<u>Expenditures over Appropriations</u>
Community development department	67,707
Community Maintenance District Funds	77,843
Total Deficit Funds	<u>\$ 145,550</u>

D. RESTRICTED COMPONENTS OF NET POSITION

The restricted components of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Restricted for Capital Projects		
Public Facility Impact Fees	\$ 32,395,488	
Bond Proceeds	124,275	
Public Infrastructure	4,590,841	
Transportation	5,878,828	
Public Infrastructure	2,539,424	
Total		\$ 45,528,856
Restricted for Housing		
Affordable housing loans	7,646,405	
CDBG housing loans	<u>56,102,408</u>	
Total		63,748,813
Restricted for Maintenance Districts		
Maintenance districts		4,378,909
Restricted for Other Government Programs		
Retirement Funding	2,042,842	
Telecommunications equipment	450,282	
Total		2,493,124
Restricted for Public Safety		
Grants and Donations	364,001	
Asset Forfeiture	23,955	
Total		<u>387,956</u>
Total restricted component of net position - governmental activities		<u>\$ 116,537,658</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

9. RISK MANAGEMENT

The City 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. The City established the general liability and workers' compensation liability funds (self-insurance funds) to account for and finance its uninsured risks of loss. Under this program, the general liability program provides coverage for up to a maximum of \$500,000 for each general liability claim, and the workers' compensation program provides coverage for up to a maximum of \$750,000 for each workers' compensation claim.

Workers' Compensation Insurance

The workers' compensation program provides coverage for up to a maximum of \$750,000 per occurrence. The City purchases excess insurance to cover losses over \$750,000 up to State statutory limits.

The claims liability reported in the self-insurance fund at June 30, 2021, is based on the requirements of GASB Statements No. 10 and No. 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The City's provision of \$5,595,194 for insurance losses through June 30, 2021 represents the estimated cost of settling self-insurance liability claims. The provision for insurance losses was established by an outside actuary using accepted actuarial methods. These methods consider case-basis reserves established by the City, the rate of loss development on older claims, the effects of IBNR claims and the effects of inflation and other economic factors to determine ultimate cost.

Changes in the workers' compensation claims liability are as follows:

	Claims Liability July 1	Current Year Claims and Changes in	Current Year Payments	Claims Liability June 30	Current Portion
2019-20	\$ 6,119,471	\$ 1,187,268	\$ (1,713,767)	\$ 5,592,972	\$ 1,318,521
2020-21	5,592,972	1,765,000	(1,762,778)	5,595,194	1,793,378

General Liability Insurance

The City is a member of the California Joint Powers Risk Management Authority (Authority) for liability insurance purposes. The Authority is comprised of California member cities and special districts organized under a joint powers agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of self-insurance and insurance for the pooling of losses and to purchase excess liability coverage. The Board of Directors consists of representatives from each member entity, with an Executive Committee consisting of the President and Vice President elected by the Directors every two years, and Executive Committee non-officer positions filled by a permanent rotation list every two years. Annual deposits are paid by member entities and may be adjusted retrospectively to cover costs. The City self-insures the first \$500,000 of each loss.

Participating entities share in loss occurrences in excess of \$500,000 or \$1,000,000 and up to \$5,000,000, and purchase insurance to provide additional coverage up to \$40,000,000. The auto/general liability program of the Authority provides coverage for comprehensive general liability, personal injury, employment practices liability (\$6,000,000 sublimit), contractual liability, errors and omissions, and auto liability. The City also participates in the Authority's auto physical damage program which provides property damage coverage for vehicles, with a

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

9. RISK MANAGEMENT (Continued)

\$10,000 deductible for vehicles, and in the Authority’s property insurance program which provides property and boiler & machinery coverage with a \$25,000 deductible per occurrence.

Premium payments by member entities are planned to match expenses of insurance premiums for coverage in excess of the self-insured amount, estimated claims resulting from self-insurance programs and Authority operating expenses. Total premiums paid to the Authority during the year ended June 30, 2021, were \$500,942.

The claims liability reported in the Self Insurance Internal Service Fund at June 30, 2021, was also based on the requirements of GASB Statement No. 10, as described. The City’s provision of \$1,992,255 for insurance losses represents the estimated cost of settling self-insurance liability claims.

Changes in the claims liability are as follows:

	Claims Liability July 1	Current Year Claims and Changes in	Current Year Payments	Claims Liability June 30	Current Portion
2019-20	\$ 1,198,184	\$ 2,488,650	\$ (1,188,048)	\$ 2,498,786	\$ 638,875
2020-21	2,498,786	765,000	(1,271,531)	1,992,255	984,270

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

10. CONTINGENCIES AND COMMITMENTS

Litigation

The City is a defendant in a number of lawsuits and has other claims pending, some of which seek substantial monetary damages. Some claims may not be covered under the City's excess liability insurance policy; however, management is of the opinion that the potential liability would not have a significant adverse effect on the City's financial position.

Grant Programs

The City participates in a number of federal and state-assisted grant programs. These programs are subject to financial and compliance audits by grantors or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City's management does not expect such amounts, if any, to be material.

Construction and Other Commitments

The City has commitments of \$11,874,708 in the Capital Grants Fund for contracts awarded but not completed as of June 30, 2021. The major contracts outstanding are \$4,750,890 for SH99/Eaton Road Rehabilitation, \$2,148,812 for Road Rehabilitation, \$447,000 for Annual Bikeway Improvements, \$4,515,043 for Airport Improvements and \$12,963 for Traffic Safety Improvements.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

11. DEFINED BENEFIT PENSION PLAN

Summary of Pension Plan Balances

Pension related balances presented on the Statement of Net Position as of June 30, 2021 by individual plan are described in the following table:

	<u>Deferred Outflows- Pension</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows- Pension</u>	<u>Pension Expense</u>
CALPERS Miscellaneous Agent Multiple Employer Plan	\$ 7,305,276	\$ (67,033,398)	\$ (563,017)	\$ 9,407,520
CALPERS Safety Agent Multiple Employer Plan	<u>11,805,330</u>	<u>(77,616,374)</u>	<u>(552,224)</u>	<u>8,589,906</u>
Total	<u>\$ 19,110,606</u>	<u>\$ (144,649,772)</u>	<u>\$ (1,115,241)</u>	<u>\$ 17,997,426</u>

General Information about the Pension Plans

Plan Descriptions – All qualified permanent probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides 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 credited service, equal to one year of full time employment. Classic and PEPRA safety CalPERS members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA CalPERS miscellaneous members 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 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

11. DEFINED BENEFIT PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Miscellaneous</u>		
	<u>Classic</u>	<u>Classic</u>	<u>PEPRA - on or after January 1, 2013</u>
Hire Date			
Formula	2% @ 55	3% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of annual salary	2.000%	3.000%	2.000%
Required employee contribution rates	8.000%	8.000%	6.750%
Required employer contribution rates	13.500%	13.500%	13.500%
		<u>Safety</u>	
	<u>Classic</u>	<u>PEPRA - on or after January 1, 2013</u>	
Hire Date			
Formula	3% @ 50	2.7% @ 57	
Benefit vesting schedule	5 years of service	5 years of service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50	57	
Monthly benefits, as a % of annual salary	3.000%	2.700%	
Required employee contribution rates	9.000%	12.750%	
Required employer contribution rates	22.420%	22.420%	

Employees Covered – At June 30, 2021, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	366	237
Inactive employees entitled to but not yet receiving benefits	199	66
Active employees	<u>202</u>	<u>155</u>
Total	<u>767</u>	<u>458</u>

Contributions – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. The total plan contributions are determined through CalPERS' annual actuarial valuations 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions by the City for the Miscellaneous Plan were \$5,299,890 and for the Safety Plan \$6,289,265.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability

The City’s net pension liability for each plan was measured as of June 30, 2020 and the total pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020. Pension liabilities are paid out of the operating funds based on a percentage of covered payroll.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuations was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.88%	2.88%
Projected Salary Increase	3.30% to 14.20%	3.30% to 14.20% (1)
Investment Rate of Return	7.250%	7.250%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a CalPERS experience study for the period of 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published 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.

In determining the long-term expected rate of return on pension plan investments, CalPERS took into account both short term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical rates of the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan and are summarized in the table on the next page.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

11. DEFINED BENEFIT PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Assumed Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Sensitive	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	<u>100%</u>		

Discount Rate – The discount rate used to measure the total pension liability was 7.15%, unchanged from the June 30, 2020 measurement date. To determine whether the municipal bond rates should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB No. 68 section. 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.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

11. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan for the measurement date of June 30, 2020 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<i>Miscellaneous Plan:</i>			
Balance at June 30, 2019	\$195,971,947	\$130,782,050	\$65,189,897
Changes in the year:			
Service Cost	2,739,169	-	2,739,169
Interest on the total pension liability	13,661,442	-	13,661,442
Differences between actual and expected experience	(938,361)	-	(938,361)
Contribution - employer	-	5,721,757	(5,721,757)
Contribution - employee	-	1,550,839	(1,550,839)
Projected earnings on investments	-	6,530,524	(6,530,524)
Administrative expenses	-	(184,371)	184,371
Benefit payments, including refunds of employee contributions	(10,668,087)	(10,668,087)	-
Net changes	4,794,163	2,950,662	1,843,501
Balance at June 30, 2020	\$200,766,110	\$133,732,712	\$67,033,398
<i>Safety Plan:</i>			
Balance at June 30, 2019	\$233,382,276	\$161,632,776	\$71,749,500
Changes in the year:			
Service Cost	4,499,719	-	4,499,719
Interest on the total pension liability	16,551,359	-	16,551,359
Differences between actual and expected experience	1,473,679	-	1,473,679
Contribution - employer	-	7,052,348	(7,052,348)
Contribution - employee	-	1,760,356	(1,760,356)
Projected earnings on investments	-	8,073,042	(8,073,042)
Administrative expenses	-	(227,863)	227,863
Benefit payments, including refunds of employee contributions	(11,236,546)	(11,236,546)	-
Net changes	11,288,211	5,421,337	5,866,874
Balance at June 30, 2020	\$244,670,487	\$167,054,113	\$77,616,374
Total of all plans	\$445,436,597	\$300,786,825	\$144,649,772

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

11. DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 91,601,835	\$ 111,711,645	\$ 203,313,480
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 67,033,398	\$ 77,616,374	\$ 144,649,772
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 46,526,861	\$ 49,757,781	\$ 96,284,642

Pension Plan Fiduciary Net Position – Detailed information about each pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$ 17,997,426. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,123,997	\$ -
Differences between actual and expected experience	242,060	(563,017)
Net difference between projected and actual earnings on plan investments	939,219	-
Total	<u>\$ 7,305,276</u>	<u>\$ (563,017)</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

11. DEFINED BENEFIT PENSION PLAN (Continued)

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,675,945	\$ -
Differences between actual and expected experience	1,617,896	(331,213)
Changes in assumption	1,155,418	(221,011)
Net difference between projected and actual earnings on plan investments	1,356,071	-
Total	<u>\$ 11,805,330</u>	<u>\$ (552,224)</u>
Total of all plans	<u>\$ 19,110,606</u>	<u>\$ (1,115,241)</u>

The amounts of \$6,123,998 for the Miscellaneous plan, and \$7,675,945 for the safety plan reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous	Safety	Total
2022	\$ (708,382)	\$ 666,499	\$ 666,499
2023	129,101	1,026,165	1,026,165
2024	660,071	1,208,229	1,208,229
2025	537,472	676,268	676,268
	<u>\$ 3,577,161</u>	<u>\$ 3,577,161</u>	<u>\$ 3,577,161</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

12. SUCCESSOR AGENCY TRUST FOR ASSETS AND OBLIGATIONS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

Due to the dissolution of the City’s Redevelopment Agency, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The following components of this footnote document the Successor Agency’s capital assets and long-term liabilities as of June 30, 2021.

CAPITAL ASSETS - LAND

As of June 30, 2021, the Successor Agency owns six parcels of land with a cost of \$1,667,105. The land will be utilized for a public purpose at a time to be determined by the Successor Agency’s Oversight Board.

LONG-TERM LIABILITIES

As of June 30, 2021, the balances of the Successor Agency long-term obligations are presented below:

	Beginning Balance		Ending Balance	Due within
	June 30, 2020	Deductions	June 30, 2021	One Year
2017 Successor Agency to the Chico RDA Tax Allocation Refunding Bonds Series A	\$ 62,885,000	\$ (4,860,000)	\$ 58,025,000	\$ 4,665,000
2017 Successor Agency to the Chico RDA Tax Allocation Refunding Bonds Series B	2,145,000	(2,145,000)	-	-
Successor Agency long-term liabilities	<u>\$ 65,030,000</u>	<u>\$ (7,005,000)</u>	<u>\$ 58,025,000</u>	<u>\$ 4,665,000</u>

Successor Agency Tax Allocation Refunding Bonds

A deferred amount on refunding of \$475,793 was recognized with the issuance of the bonds. The unamortized balance at June 30, 2021 was \$358,932 and is reported as a deferred inflow of resources.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

12. SUCCESSOR AGENCY TRUST FOR ASSETS AND OBLIGATIONS OF THE FORMER REDEVELOPMENT AGENCY (Continued)

LONG-TERM LIABILITIES

Successor Agency Long-term Liabilities

Direct Placements

Revenue Bonds

2017 Tax Allocation Refunding Bonds Series A (2017 TABS Series A) were issued in the amount of \$65,475,000 for the purpose of refunding the outstanding 2001 Tax Allocation Revenue Bonds, the 2005 Tax Allocation Bonds, and the 2007 Tax Allocation Refunding Bonds. Interest rates for the term of the 2017 TABS Series A is 2.82%. Payments are due in semi-annual installments on October 1 and April 1 through April 1, 2032.

Amount

Totals

\$58,025,000

Total Successor Agency long-term liabilities

\$58,025,000

The following is a schedule of total debt service requirements to maturity as of June 30, 2021 for the tax allocation bonds:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	4,665,000	1,636,305	6,301,305
2023	4,795,000	1,504,752	6,299,752
2024	4,925,000	1,369,533	6,294,533
2025	4,830,000	1,230,648	6,060,648
2026	5,095,000	1,094,442	6,189,442
2027-2031	27,695,000	3,234,963	30,929,963
2032	6,020,000	169,764	6,189,764
Total	<u>\$ 58,025,000</u>	<u>\$ 10,240,407</u>	<u>\$ 68,265,407</u>

The Successor Agency's outstanding bond debt from direct placements includes a priority pledge of "Tax Increment Revenues" allocated to the Successor Agency by the Butte County Auditor Controller. The Successor Agency is prohibited from entering any new enforceable obligations which are secured by a lien on this pledged collateral.

REQUIRED SUPPLEMENTARY INFORMATION

- Schedule of Changes in Net Pension Liability and Related Ratios – Miscellaneous
- Schedule of Changes in Net Pension Liability and Related Ratios – Safety
- Schedule of Contributions – Miscellaneous
- Schedule of Contributions – Safety
- Schedules of Changes in Net OPEB Liability and Related Ratios
- Schedules of Revenues, Expenditures, and Changes in Fund Balances, Budget to Actual, (General Fund and Major Special Revenue Funds):
 - General Fund
 - CDBG and HOME Housing Fund
 - Low and Moderate Income Housing Asset Fund
- Notes to Required Supplementary Information

CITY OF CHICO, CALIFORNIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)
CalPERS MISCELLANEOUS RETIREMENT PLAN
LAST TEN YEARS*

Measurement Period	2021	2020	2019	2018	2017	2016	2015
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability							
Service cost	\$2,739,169	\$2,764,446	\$2,702,893	\$2,762,977	\$2,352,654	\$2,441,836	\$3,139,806
Interest	13,661,442	13,311,689	12,817,844	12,410,522	12,292,564	12,098,168	11,852,134
Differences between expected & actual experience	(938,361)	933,660	792,512	(3,454,037)	(3,764,124)	(3,748,881)	-
Changes in assumptions	-	-	(1,220,368)	9,955,942	-	(2,850,219)	-
Benefit payments, including refunds of employee contributions	(10,668,087)	(9,798,874)	(9,357,597)	(8,680,046)	(8,251,225)	(8,129,122)	(7,723,542)
Net change in total pension liability	4,794,163	7,210,921	5,735,284	12,995,358	2,629,869	(188,218)	7,268,398
Total pension liability -- beginning	195,971,947	188,761,026	183,025,742	170,030,384	167,400,515	167,588,733	160,320,335
Total pension liability -- ending (a)	\$200,766,110	\$195,971,947	\$188,761,026	\$183,025,742	\$170,030,384	\$167,400,515	\$167,588,733
Plan fiduciary net position							
Contributions - employer	\$5,721,757	\$5,289,597	\$4,892,157	\$4,835,288	\$3,774,160	\$3,273,509	\$3,326,062
Contributions - employee	1,550,839	1,452,949	1,211,601	1,042,124	960,903	950,096	991,678
Net investment income	6,530,524	8,254,467	10,107,344	12,216,475	574,677	2,533,100	17,333,730
Plan to plan resource movement	-	-	(293)	-	(3,366)	3,313	-
Benefit payments, including refunds of employee contributions	(10,668,087)	(9,798,874)	(9,357,597)	(8,680,046)	(8,251,225)	(8,129,122)	(7,723,542)
Administrative Expense	(184,371)	(89,683)	(185,995)	(162,567)	(68,942)	(127,469)	-
Miscellaneous income (expense)	-	293	(353,207)	-	-	-	-
Net change in fiduciary net position	2,950,662	5,108,749	6,314,010	9,251,274	(3,013,793)	(1,496,573)	13,927,928
Plan fiduciary net position -- beginning	130,782,050	125,673,301	119,359,291	110,108,017	113,121,810	114,618,383	100,690,455
Plan fiduciary net position -- ending (b)	\$133,732,712	\$130,782,050	\$125,673,301	\$119,359,291	\$110,108,017	\$113,121,810	\$114,618,383
Net pension liability -- ending (a) - (b)	\$67,033,398	\$65,189,897	\$63,087,725	\$63,666,451	\$59,922,367	\$54,278,705	\$52,970,350
Plan fiduciary net position as a percentage of the total pension liability							
	66.61%	66.74%	66.58%	65.21%	64.76%	67.58%	68.39%
Covered payroll	\$13,794,306	\$13,266,370	\$12,101,584	\$12,743,802	\$12,095,926	\$11,927,104	\$14,799,933
Net pension liability as a percentage of covered payroll	485.95%	491.39%	521.32%	499.59%	495.39%	455.09%	357.91%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

CITY OF CHICO, CALIFORNIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)
CalPERS SAFETY RETIREMENT PLAN
LAST TEN YEARS*

Measurement Period	2021	2020	2019	2018	2017	2016	2015
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability							
Service cost	\$4,499,719	\$4,380,793	\$4,390,653	\$4,563,295	\$3,944,837	\$4,060,125	\$4,587,446
Interest	16,551,359	15,784,596	15,059,804	14,578,548	13,926,474	13,452,675	12,801,088
Differences between expected & actual experience	1,473,679	1,094,936	(1,573,264)	105,155	(2,584,243)	(602,213)	-
Changes in assumptions	-	-	(1,049,800)	12,709,578	-	(3,450,890)	-
Benefit payments, including refunds of employee contributions	(11,288,211)	(10,712,608)	(10,094,391)	(9,308,811)	(8,981,039)	(8,373,881)	(7,428,081)
Net change in total pension liability	11,236,546	10,547,717	6,733,002	22,647,765	6,306,029	5,085,816	9,960,453
Total pension liability -- beginning	233,382,276	222,834,559	216,101,557	193,453,792	187,147,763	182,061,947	172,101,494
Total pension liability -- ending (a)	\$244,618,822	\$233,382,276	\$222,834,559	\$216,101,557	\$193,453,792	\$187,147,763	\$182,061,947
Plan fiduciary net position							
Contributions - employer	\$7,052,348	\$6,272,865	\$5,601,393	\$5,349,238	\$4,852,766	\$4,398,219	\$4,361,304
Contributions - employee	1,760,356	1,783,895	1,542,571	1,550,187	1,404,504	1,236,718	1,260,761
Net investment income	8,073,042	10,107,564	12,224,670	14,750,340	663,425	2,981,880	20,361,356
Plan to plan resource movement	-	-	(359)	-	3,366	(3,313)	-
Benefit payments, including refunds of employee contributions	(11,236,546)	(10,712,608)	(10,094,391)	(9,308,811)	(8,981,039)	(8,373,881)	(7,428,081)
Administrative Expense	(227,863)	(110,105)	(227,002)	(197,150)	(82,684)	(152,694)	-
Miscellaneous income (expense)	-	359	(431,079)	-	-	-	-
Net change in fiduciary net position	5,421,337	7,341,970	8,615,803	12,143,804	(2,139,662)	86,929	18,555,340
Plan fiduciary net position -- beginning	161,632,777	154,290,807	145,675,004	133,531,200	135,670,862	135,583,933	117,028,593
Plan fiduciary net position -- ending (b)	167,054,114	161,632,777	154,290,807	145,675,004	133,531,200	135,670,862	135,583,933
Net pension liability -- ending (a) - (b)	\$77,564,708	\$71,749,499	\$68,543,752	\$70,426,553	\$59,922,592	\$51,476,901	\$46,478,014
Plan fiduciary net position as a percentage of the total pension liability	68.29%	69.26%	69.24%	67.41%	69.02%	72.49%	74.47%
Covered payroll	\$14,054,746	\$13,801,250	\$13,938,580	\$14,048,439	\$14,048,202	\$14,089,826	\$15,179,163
Net pension liability as a percentage of covered payroll	551.88%	519.88%	491.76%	501.31%	426.55%	365.35%	306.20%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

CITY OF CHICO, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
CalPERS MISCELLANEOUS RETIREMENT PLAN
LAST TEN YEARS

	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered- payroll
<u>2021</u>					
Miscellaneous Plan	\$ 6,123,998	\$ 6,123,998	\$ -	\$ 13,226,312	46.30%
Safety Plan	7,675,945	7,675,945	-	14,339,448	53.53%
Total	<u>\$ 13,799,943</u>	<u>\$ 13,799,943</u>	<u>\$ -</u>	<u>\$ 27,565,760</u>	50.06%
<u>2020</u>					
Miscellaneous Plan	\$ 5,721,757	\$ 5,721,757	\$ -	\$ 13,794,306	41.48%
Safety Plan	7,052,348	7,052,348	-	14,054,746	50.18%
Total	<u>\$ 12,774,105</u>	<u>\$ 12,774,105</u>	<u>\$ -</u>	<u>\$ 27,849,052</u>	45.87%
<u>2019</u>					
Miscellaneous Plan	\$ 5,289,597	\$ 5,289,597	\$ -	\$ 13,266,370	39.87%
Safety Plan	6,272,865	6,272,865	-	13,801,250	45.45%
Total	<u>\$ 11,562,462</u>	<u>\$ 11,562,462</u>	<u>\$ -</u>	<u>\$ 27,067,620</u>	42.72%
<u>2018</u>					
Miscellaneous Plan	\$ 4,892,157	\$ 4,892,157	\$ -	\$ 12,101,584	40.43%
Safety Plan	5,601,393	5,601,393	-	13,938,580	40.19%
Total	<u>\$ 10,493,550</u>	<u>\$ 10,493,550</u>	<u>\$ -</u>	<u>\$ 26,040,164</u>	40.30%
<u>2017</u>					
Miscellaneous Plan	\$ 4,835,288	\$ 4,835,288	\$ -	\$ 12,743,802	37.94%
Safety Plan	5,349,238	5,349,238	-	14,048,439	38.08%
Total	<u>\$ 10,184,526</u>	<u>\$ 10,184,526</u>	<u>\$ -</u>	<u>\$ 26,792,241</u>	38.01%
<u>2016</u>					
Miscellaneous Plan	\$ 3,774,160	\$ 3,774,160	\$ -	\$ 12,095,926	31.20%
Safety Plan	4,852,766	4,852,766	-	14,048,202	34.54%
Total	<u>\$ 8,626,926</u>	<u>\$ 8,626,926</u>	<u>\$ -</u>	<u>\$ 26,144,128</u>	33.00%
<u>2015</u>					
Miscellaneous Plan	\$ 3,273,509	\$ 3,273,509	\$ -	\$ 11,927,104	27.45%
Safety Plan	4,398,219	4,398,219	-	14,089,826	31.22%
Total	<u>\$ 7,671,728</u>	<u>\$ 7,671,728</u>	<u>\$ -</u>	<u>\$ 26,016,930</u>	29.49%
<u>2014</u>					
Miscellaneous Plan	\$ 3,326,062	\$ 3,326,062	\$ -	\$ 14,799,933	22.47%
Safety Plan	4,361,304	4,361,304	-	15,179,163	28.73%
Total	<u>\$ 7,687,366</u>	<u>\$ 7,687,366</u>	<u>\$ -</u>	<u>\$ 29,979,096</u>	25.64%

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 17,976,397	\$ 19,341,637	\$ 19,876,543	\$ 534,906
Sales and use taxes	22,023,000	25,750,000	28,176,531	2,426,531
Other taxes	13,055,910	13,976,554	15,896,244	1,919,690
Licenses and permits	133,400	133,400	90,651	(42,749)
Intergovernmental	382,964	13,402,648	2,607,092	(10,795,556)
Charges for services	229,240	229,240	242,382	13,142
Fines, forfeitures, and penalties	337,000	337,000	468,792	131,792
Use of money and property	156,282	175,908	708,195	532,287
Miscellaneous	278,857	440,945	563,841	122,896
Total revenues	54,573,050	73,787,332	68,630,271	(5,157,061)
EXPENDITURES:				
Current:				
Administrative services department	1,956,997	2,148,146	2,097,855	50,291
City attorney department	643,261	773,870	761,105	12,765
City clerk department	1,077,031	1,137,036	1,003,858	133,178
City manager department	2,410,041	2,542,613	2,190,091	352,522
Less - indirect costs	(1,990,798)	(1,990,798)	(1,990,798)	-
General government	4,096,532	4,610,867	4,062,111	548,756
Police department	27,561,743	28,069,745	26,538,925	1,530,820
Fire department	13,524,869	14,973,334	14,768,680	204,654
Public safety	41,086,612	43,043,079	41,307,605	1,735,474
Public works department	4,408,755	4,465,255	4,151,854	313,401
Parks department	3,262,639	3,385,877	3,219,385	166,492
Community development department	1,170,254	1,170,254	1,237,961	(67,707)
Community agencies	30,000	49,751	3,508	46,243
Capital outlay:				
Capital outlay - Operations	2,076,240	21,475,887	922,667	20,553,220
Debit Service:				
Principal retirement	470,475	470,475	470,475	-
Interest and fiscal charges	76,806	76,806	76,806	-
Total expenditures	56,678,313	78,748,251	55,452,372	23,295,879
Excess (deficiency) of revenues over (under) expenditures	(2,105,263)	(4,960,919)	13,177,899	18,138,818

Continued on next page

**CITY OF CHICO, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

Continued from previous page

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES):				
Transfers in	2,307,047	3,025,731	3,017,249	(8,482)
Transfers out	<u>(4,541,324)</u>	<u>(6,522,286)</u>	<u>(6,659,723)</u>	<u>(137,437)</u>
Total other financing sources (uses)	<u>(2,234,277)</u>	<u>(3,496,555)</u>	<u>(3,642,474)</u>	<u>(145,919)</u>
Net change in fund balance	(4,339,540)	(8,457,474)	9,535,425	17,992,899
Fund balance, beginning of year	29,897,333	29,897,333	29,897,333	-
Fund balance, end of year	<u>\$ 25,557,793</u>	<u>\$ 21,439,859</u>	<u>\$ 39,432,758</u>	<u>\$ 17,992,899</u>

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CDBG AND HOME HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,828,672	\$ 37,772,982	\$ 906,405	\$ (36,866,577)
Use of money and property	-	15,000	77,326	62,326
Total revenues	1,828,672	37,787,982	983,731	(36,804,251)
EXPENDITURES:				
Current:				
Community development	315,418	315,418	932,403	(616,985)
Capital outlay	1,691,536	38,239,978	-	38,239,978
Total expenditures	2,006,954	38,555,396	932,403	37,622,993
Excess (deficiency) of revenues over (under) expenditures	(178,282)	(767,414)	51,328	818,742
OTHER FINANCING SOURCES (USES):				
Transfers in	47,195	47,195	16,158	(31,037)
Total other financing sources (uses)	47,195	47,195	16,158	(31,037)
Net change in fund balance	(131,087)	(720,219)	67,486	787,705
Fund balance, beginning of year	7,578,919	7,578,919	7,578,919	-
Fund balance, end of year	\$ 7,447,832	\$ 6,858,700	\$ 7,646,405	\$ 787,705

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 18,253	\$ 18,253	\$ 19,470	\$ 1,217
Charges for services	-	-	2,193	2,193
Use of money and property	240,000	240,000	405,521	165,521
Miscellaneous	-	-	7,569	7,569
Total revenues	258,253	258,253	434,753	176,500
EXPENDITURES:				
Current:				
Community development	414,213	414,386	384,851	29,535
Capital outlay	75,000	1,740,000	-	1,740,000
Total expenditures	489,213	2,154,386	384,851	1,769,535
Excess (deficiency) of revenues over (under) expenditures	(230,960)	(1,896,133)	49,902	1,946,035
OTHER FINANCING SOURCES (USES):				
Transfers in	-	4,667	4,667	-
Transfers out	(47,195)	(47,195)	(16,158)	31,037
Total other financing sources (uses)	(47,195)	(42,528)	(11,491)	31,037
Net change in fund balance	(278,155)	(1,938,661)	38,411	1,977,072
Fund balance, beginning of year	56,063,997	56,063,997	56,063,997	-
Fund balance, end of year	\$ 55,785,842	\$ 54,125,336	\$ 56,102,408	\$ 1,977,072

CITY OF CHICO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

The annual operating budget is adopted by the City Council on or before the first meeting in July each year on a basis consistent with accounting principles generally accepted in the United States of America as noted below. The appropriated budget is prepared by fund, function and activity. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revision that exceeds the appropriated expenditures on any fund requires approval by the City Council. The legal level of budgetary control is at the department level. Outside of the General Fund, all funds are one department.

Original appropriations are adjusted by supplemental appropriations and budget modifications approved during the year, creating the modified adopted budget.

The General Fund does not budget for non-cash transfers including transfers of loans and transfers used to cover other Funds' fund balance deficits and capital lease transactions.

Budgetary comparisons and reconciliations are included in Required Supplementary Information as Schedules of Revenue and Changes in Fund Balance - Budget and Actual, for the General Fund, CDBG and HOME Housing Fund and the Low and Moderate Income Housing Asset Fund.

CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ 10,800,929	\$ 63,715,405	\$ 4,499,166	\$ (59,216,239)
Miscellaneous	-	10,000	-	(10,000)
Total revenues	<u>10,800,929</u>	<u>63,725,405</u>	<u>4,499,166</u>	<u>(59,226,239)</u>
EXPENDITURES:				
Current:				
General government	-	1,134,821	430,703	704,118
Capital outlay	10,800,928	63,472,435	3,515,005	59,957,430
Total expenditures	<u>10,800,928</u>	<u>64,607,256</u>	<u>3,945,708</u>	<u>60,661,548</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1</u>	<u>(881,851)</u>	<u>553,458</u>	<u>(119,887,787)</u>
Net change in fund balance	1	(881,851)	553,458	(119,887,787)
Fund balance, beginning of year	<u>(1,387,792)</u>	<u>(1,387,792)</u>	<u>(1,387,792)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,387,791)</u>	<u>\$ (2,269,643)</u>	<u>\$ (834,334)</u>	<u>\$ (119,887,787)</u>

CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC FACILITIES IMPACT FEE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 6,907,700	\$ 7,207,700	\$ 7,805,496	\$ 597,796
Use of money and property	-	-	319,042	319,042
Total revenues	<u>6,907,700</u>	<u>7,207,700</u>	<u>8,124,538</u>	<u>916,838</u>
EXPENDITURES:				
Current:				
Community development	-	-	5,789,225	(5,789,225)
Capital outlay	6,774,008	23,807,519	1,754,405	22,053,114
Debit Service:				
Principal retirement	57,307	57,307	57,307	-
Interest and fiscal charges	1,633	1,633	1,633	-
Total expenditures	<u>6,774,008</u>	<u>23,807,519</u>	<u>7,602,570</u>	<u>16,263,889</u>
Excess (deficiency) of revenues over (under) expenditures	133,692	(16,599,819)	521,968	17,121,787
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,097	1,204	107
Transfers out	(69,077)	(107,196)	(79,262)	27,934
Total other financing sources (uses)	<u>(69,077)</u>	<u>(106,099)</u>	<u>(78,058)</u>	<u>28,041</u>
Net change in fund balance	64,615	(16,705,918)	443,910	17,149,828
Fund balance, beginning of year	<u>31,951,578</u>	<u>31,951,578</u>	<u>31,951,578</u>	<u>-</u>
Fund balance, end of year	<u>\$ 32,016,193</u>	<u>\$ 15,245,660</u>	<u>\$ 32,395,488</u>	<u>\$ 17,149,828</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Operating Grants

Accounts for a variety of governmental operating grants, including law enforcement grants. These funds are restricted to be used only for the purpose of the grants.

Community Maintenance Districts

Accounts for maintenance and operation of specified public improvements. These funds are restricted to be used only for the maintenance districts.

Transportation

Accounts for Transportation Development Act (TDA) funding for the planning, development, construction and maintenance of street/road and bicycle/pedestrian projects. These funds are restricted to be used only for allowable TDA activities.

Gas Tax

Accounts for revenues and expenditures apportioned under the Streets and Highway Code, Sections 2103, 2105, 2106, 2107 and 2107.5 for administration, maintenance, and construction which is street-related and Transportation Congestion Relief monies. Also accounts for federal funds allocated for street maintenance and rehabilitation, and right-of-way acquisition, maintenance, construction, street sweeping, and improvement of street facilities, from the Transportation Equity Act for the 21st Century. All gas tax funds are restricted to be used only as allowed within the Streets and Highway Code and federal regulations.

Other Special Revenue

Accounts for comparatively smaller special revenue funds including traffic safety, asset forfeiture, private activity revenue bond reserve administration and assessment district administration fund. These funds are restricted to be used for allowable activities as listed.

CAPITAL PROJECTS FUNDS

Capital Improvements

Accounts for various capital improvements - building/facility improvements, passenger facility charges, in lieu offsite improvements, Liberator Street remediation and sewer main installation.

Bond Proceeds Fund

Accounts for the transfer of bond proceeds from the 2001 Chico Public Financing Authority Tax Allocation Revenue Bonds and 2005 Chico Redevelopment Agency Tax Allocation Bond that are to be used by the City for purposes for which all bonds were sold. The transfer and use of the proceeds is allowed by provisions of AB 1484 (Redevelopment Dissolution).

Fleet Replacement and Facility Maintenance

Accounts for accumulation of reserves and expenditures for major equipment replacement and major building and facility maintenance.

Remediation

Accounts for transactions related to clean up of various remediation sites within the City.

**CITY OF CHICO, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 14,233,902	\$ 8,782,071	\$ 23,015,973
Receivables:			
Interest	-	99	99
Taxes	27,614	-	27,614
Accounts	51,269	-	51,269
Intergovernmental	1,617,275	-	1,617,275
Loans	23,477	-	23,477
Restricted cash and investments	-	124,176	124,176
Total assets	\$ 15,953,537	\$ 8,906,346	\$ 24,859,883
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 174,241	\$ 222,706	\$ 396,947
Accrued salaries and benefits	33,185	68,656	101,841
Advances from other funds	42,205	-	42,205
Total liabilities	249,631	291,362	540,993
Deferred inflows of resources:			
Deferred housing loan principal payments development impact fees and grants	92,851	-	92,851
Total deferred inflows of resources	92,851	-	92,851
Restricted	15,611,055	2,663,699	18,274,754
Assigned	-	5,951,285	5,951,285
Total fund balances	15,611,055	8,614,984	24,226,039
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,953,537	\$ 8,906,346	\$ 24,859,883

**CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental	\$ 10,010,125	\$ -	\$ 10,010,125
Charges for services	2,045,361	1,662,734	3,708,095
Fines, forfeitures, and penalties	23,239	-	23,239
Use of money and property	118,449	53,010	171,459
Miscellaneous	132,340	77,982	210,322
Total revenues	<u>12,329,514</u>	<u>1,793,726</u>	<u>14,123,240</u>
EXPENDITURES:			
Current:			
General government	374,736	896,159	1,270,895
Public safety	881,584	-	881,584
Public works	2,823,396	1,324,340	4,147,736
Parks and recreation	124,311	-	124,311
Capital outlay:			
Capital outlay - Operations	2,543,449	1,417,367	3,960,816
Debt service:			
Interest and fiscal charges	2,293	-	2,293
Total expenditures	<u>6,749,769</u>	<u>3,637,866</u>	<u>10,387,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,579,745</u>	<u>(1,844,140)</u>	<u>3,735,605</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	245,021	4,276,206	4,521,227
Transfers out	(2,169,430)	-	(2,169,430)
Total other financing sources (uses)	<u>(1,924,409)</u>	<u>4,276,206</u>	<u>2,351,797</u>
Net change in fund balances	3,655,336	2,432,066	6,087,402
Fund balances, beginning of year	<u>11,955,719</u>	<u>6,182,918</u>	<u>18,138,637</u>
Fund balances, end of year	<u>\$ 15,611,055</u>	<u>\$ 8,614,984</u>	<u>\$ 24,226,039</u>

**CITY OF CHICO, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2021**

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and investments	\$ 194,657	\$ 4,493,990	\$ 4,618,125	\$ 4,388,706	\$ 538,424	\$ 14,233,902
Receivables:						
Taxes	-	27,614				27,614
Accounts	-	-	500	-	50,769	51,269
Intergovernmental	93,844	-	840	1,521,118	1,473	1,617,275
Loans	-	-	-	-	23,477	23,477
Total assets	<u>\$ 288,501</u>	<u>\$ 4,521,604</u>	<u>\$ 4,619,465</u>	<u>\$ 5,909,824</u>	<u>\$ 614,143</u>	<u>\$ 15,953,537</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 21,482	\$ 100,490	\$ 18,573	\$ 30,996	\$ 2,700	\$ 174,241
Accrued salaries and benefits	21,169	-	10,051	-	1,965	33,185
Advances from other funds	-	42,205	-	-	-	42,205
Total liabilities	<u>42,651</u>	<u>142,695</u>	<u>28,624</u>	<u>30,996</u>	<u>4,665</u>	<u>249,631</u>
Deferred inflows of resources:						
Unavailable revenue	<u>92,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,851</u>
Total deferred inflows of resources	<u>92,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,851</u>
Fund balances:						
Restricted	<u>152,999</u>	<u>4,378,909</u>	<u>4,590,841</u>	<u>5,878,828</u>	<u>609,478</u>	<u>15,611,055</u>
Total fund balances (deficit)	<u>152,999</u>	<u>4,378,909</u>	<u>4,590,841</u>	<u>5,878,828</u>	<u>609,478</u>	<u>15,611,055</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 288,501</u>	<u>\$ 4,521,604</u>	<u>\$ 4,619,465</u>	<u>\$ 5,909,824</u>	<u>\$ 614,143</u>	<u>\$ 15,953,537</u>

**CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
REVENUES:						
Intergovernmental	\$ 1,076,602	\$ -	\$ 3,195,956	\$ 5,737,567	\$ -	\$ 10,010,125
Charges for services	-	1,772,171	30	-	273,160	2,045,361
Fines, forfeitures, and penalties	-	-	-	-	23,239	23,239
Use of money and property	-	36,079	37,992	38,599	5,779	118,449
Miscellaneous	29,450	-	-	-	102,890	132,340
Total revenues	1,106,052	1,808,250	3,233,978	5,776,166	405,068	12,329,514
EXPENDITURES:						
Current:						
General government	4,750	-	-	-	369,986	374,736
Public safety	871,263	-	-	-	10,321	881,584
Public works	-	1,475,493	768,802	579,101	-	2,823,396
Parks and recreation	124,311	-	-	-	-	124,311
Capital outlay	5,463	-	666,349	1,859,379	12,258	2,543,449
Debt service:						
Interest	-	2,293	-	-	-	2,293
Total expenditures	1,005,787	1,477,786	1,435,151	2,438,480	392,565	6,749,769
Excess (deficiency) of revenues over (under) expenditures	100,265	330,464	1,798,827	3,337,686	12,503	5,579,745
OTHER FINANCING SOURCES (USES):						
Transfers in	184,333	46,429	38	-	14,221	245,021
Transfers out	-	-	(100,000)	(2,050,000)	(19,430)	(2,169,430)
Total other financing sources (uses)	184,333	46,429	(99,962)	(2,050,000)	(5,209)	(1,924,409)
Net change in fund balances	284,598	376,893	1,698,865	1,287,686	7,294	3,655,336
Fund balances, beginning of year	(131,599)	4,002,016	2,891,976	4,591,142	602,184	11,955,719
Fund balances, end of year	<u>\$ 152,999</u>	<u>\$ 4,378,909</u>	<u>\$ 4,590,841</u>	<u>\$ 5,878,828</u>	<u>\$ 609,478</u>	<u>\$ 15,611,055</u>

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OPERATING GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,001,085	\$ 1,927,714	\$ 1,076,602	\$ (851,112)
Other	-	19,450	29,450	10,000
Total revenues	1,001,085	1,947,164	1,106,052	(841,112)
EXPENDITURES:				
Current:				
General government	-	-	4,750	(4,750)
Public safety	1,086,056	1,423,954	871,263	552,691
Parks and recreation	45,526	-	124,311	(124,311)
Capital outlay	-	129,346	5,463	123,883
Total expenditures	1,131,582	1,553,300	1,005,787	547,513
Excess (deficiency) of revenues over (under) expenditures	(130,497)	393,864	100,265	(293,599)
OTHER FINANCING SOURCES:				
Transfers in	130,497	184,333	184,333	-
Total other financing sources (uses)	130,497	184,333	184,333	-
Net change in fund balance	-	578,197	284,598	(293,599)
Fund balance, beginning of year	(131,599)	(131,599)	(131,599)	-
Fund balance, end of year	\$ (131,599)	\$ 446,598	\$ 152,999	\$ (293,599)

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY MAINTENANCE DISTRICTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 1,924,362	\$ 1,814,972	\$ 1,772,171	\$ (42,801)
Use of money and property	-	-	36,079	36,079
Total revenues	1,924,362	1,814,972	1,808,250	(6,722)
EXPENDITURES:				
Current:				
Public works	1,362,442	1,404,372	1,475,493	(71,121)
Debt Service				
Interest	2,293	2,293	2,293	-
Total expenditures	1,364,735	1,406,665	1,477,786	(71,121)
Excess (deficiency) of revenues over (under) expenditures	559,627	408,307	330,464	(77,843)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	36,297	46,429	-
Total other financing sources (uses)	-	36,297	46,429	-
Net change in fund balance	559,627	444,604	376,893	(67,711)
Fund balance, beginning of year	4,002,016	4,002,016	4,002,016	-
Fund balance, end of year	\$ 4,561,643	\$ 4,446,620	\$ 4,378,909	\$ (67,711)

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,364,166	\$ 3,193,856	\$ 3,195,956	\$ 2,100
Charges for services	-	-	30	30
Use of money and property	20,820	20,820	37,992	17,172
Total revenues	2,384,986	3,214,676	3,233,978	19,302
EXPENDITURES:				
Current:				
Public works	581,934	731,934	768,802	(36,868)
Capital outlay	1,540,964	4,794,716	666,349	4,128,367
Total expenditures	2,122,898	5,526,650	1,435,151	4,091,499
Excess (deficiency) of revenues over (under) expenditures	262,088	(2,311,974)	1,798,827	4,110,801
OTHER FINANCING SOURCES (USES):				
Transfers in	-	38	38	-
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(100,000)	(99,962)	(99,962)	-
Net change in fund balance	162,088	(2,411,936)	1,698,865	4,110,801
Fund balance, beginning of year	2,891,976	2,891,976	2,891,976	-
Fund balance, end of year	\$ 3,054,064	\$ 480,040	\$ 4,590,841	\$ 4,110,801

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 5,730,481	\$ 5,749,013	\$ 5,737,567	\$ (11,446)
Use of money and property	-	-	38,599	38,599
Total revenues	<u>5,730,481</u>	<u>5,749,013</u>	<u>5,776,166</u>	<u>27,153</u>
EXPENDITURES:				
Current:				
Public works	-	-	579,101	(579,101)
Capital outlay	<u>2,816,050</u>	<u>6,014,797</u>	<u>1,859,379</u>	<u>4,155,418</u>
Total expenditures	<u>2,816,050</u>	<u>6,014,797</u>	<u>2,438,480</u>	<u>3,576,317</u>
Excess (deficiency) of revenues over (under) expenditures	2,914,431	(265,784)	3,337,686	3,603,470
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(2,050,000)	(2,050,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(2,050,000)</u>	<u>(2,050,000)</u>	<u>-</u>
Net change in fund balance	2,914,431	(2,315,784)	1,287,686	3,603,470
Fund balance, beginning of year	<u>4,591,142</u>	<u>4,591,142</u>	<u>4,591,142</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,505,573</u>	<u>\$ 2,275,358</u>	<u>\$ 5,878,828</u>	<u>\$ 3,603,470</u>

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 150,000	\$ 150,000	\$ 273,160	\$ 123,160
Fines, forfeitures and penalties	23,239	20,000	23,239	3,239
Use of money and property	-	1,433	5,779	4,346
Miscellaneous	-	-	102,890	102,890
Total revenues	173,239	171,433	405,068	233,635
EXPENDITURES:				
Current:				
General government	196,282	206,282	369,986	(163,704)
Public safety	10,321	10,321	10,321	-
Capital outlay	176,800	229,391	12,258	217,133
Total expenditures	383,403	445,994	392,565	53,429
Excess (deficiency) of revenues over (under) expenditures	(210,164)	(274,561)	12,503	287,064
OTHER FINANCING SOURCES (USES):				
Transfers in	115,782	99,673	14,221	(85,452)
Transfers out	(20,000)	(19,430)	(19,430)	-
Total other financing sources (uses)	95,782	80,243	(5,209)	(85,452)
Net change in fund balance	(114,382)	(194,318)	7,294	201,612
Fund balance, beginning of year	602,184	602,184	602,184	-
Fund balance, end of year	\$ 487,802	\$ 407,866	\$ 609,478	\$ 201,612

**CITY OF CHICO, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2021**

	Capital Improvements Fund	Bond Proceeds Fund	Fleet Replacement and Facility Maintenance	Remediation Fund	Public Infrastructure Replacement	Total Nonmajor Capital Projects Funds
ASSETS						
Cash and investments	\$ 2,827,679	\$ -	\$ 2,907,363	\$ 504,066	\$ 2,542,963	\$ 8,782,071
Receivables:						
Interest	-	99	-	-	-	99
Restricted cash and investments	-	124,176	-	-	-	124,176
Total assets	<u>\$ 2,827,679</u>	<u>\$ 124,275</u>	<u>\$ 2,907,363</u>	<u>\$ 504,066</u>	<u>\$ 2,542,963</u>	<u>\$ 8,906,346</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 45,357	\$ -	\$ 170,768	\$ 3,042	\$ 3,539	\$ 222,706
Accrued salaries and benefits	68,656	-	-	-	-	68,656
Total liabilities	<u>114,013</u>	<u>-</u>	<u>170,768</u>	<u>3,042</u>	<u>3,539</u>	<u>291,362</u>
Fund balances:						
Restricted	-	124,275	-	-	2,539,424	2,663,699
Assigned	2,713,666	-	2,736,595	501,024	-	5,951,285
Total fund balances (deficit)	<u>2,713,666</u>	<u>124,275</u>	<u>2,736,595</u>	<u>501,024</u>	<u>2,539,424</u>	<u>8,614,984</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,827,679</u>	<u>\$ 124,275</u>	<u>\$ 2,907,363</u>	<u>\$ 504,066</u>	<u>\$ 2,542,963</u>	<u>\$ 8,906,346</u>

CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Capital Improvements Fund	Bond Proceeds Fund	Fleet Replacement and Facility Maintenance	Remediation Fund	Public Infrastructure Replacement	Total Nonmajor Capital Projects Funds
REVENUES:						
Charges for services	\$ 1,662,734	\$ -	\$ -	\$ -	\$ -	\$ 1,662,734
Use of money and property	14,254	703	23,521	2	14,530	53,010
Miscellaneous	-	-	77,982	-	-	77,982
Total revenues	<u>1,676,988</u>	<u>703</u>	<u>101,503</u>	<u>2</u>	<u>14,530</u>	<u>1,793,726</u>
EXPENDITURES:						
Current:						
General government	-	-	896,159	-	-	896,159
Public works	1,094,222	1,103	-	84,077	144,938	1,324,340
Capital outlay:						
Capital outlay - Operations	-	17,646	754,002	-	645,719	1,417,367
Total expenditures	<u>1,094,222</u>	<u>18,749</u>	<u>1,650,161</u>	<u>84,077</u>	<u>790,657</u>	<u>3,637,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>582,766</u>	<u>(18,046)</u>	<u>(1,548,658)</u>	<u>(84,075)</u>	<u>(776,127)</u>	<u>(1,844,140)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	1,623	-	2,109,048	585,100	1,580,435	4,276,206
Total other financing sources (uses)	<u>1,623</u>	<u>-</u>	<u>2,109,048</u>	<u>585,100</u>	<u>1,580,435</u>	<u>4,276,206</u>
Net change in fund balances	584,389	(18,046)	560,390	501,025	804,308	2,432,066
Fund balances (deficit), beginning of year	<u>2,129,277</u>	<u>142,321</u>	<u>2,176,205</u>	<u>(1)</u>	<u>1,735,116</u>	<u>6,182,918</u>
Fund balances (deficit), end of year	<u>\$ 2,713,666</u>	<u>\$ 124,275</u>	<u>\$ 2,736,595</u>	<u>\$ 501,024</u>	<u>\$ 2,539,424</u>	<u>\$ 8,614,984</u>

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 800,000	\$ 800,000	\$ 1,662,734	\$ 862,734
Use of money and property	-	-	14,254	14,254
Total revenues	800,000	800,000	1,676,988	876,988
EXPENDITURES:				
Current:				
Public works	2,930,664	3,256,127	1,094,222	2,161,905
Total expenditures	2,930,664	3,256,127	1,094,222	2,161,905
Excess (deficiency) of revenues over (under) expenditures	(2,130,664)	(2,456,127)	582,766	3,038,893
Transfers in	-	1,623	1,623	-
Total other financing sources (uses)	-	1,623	1,623	-
Net change in fund balance	(2,130,664)	(2,454,504)	584,389	3,038,893
Fund balance, beginning of year	2,129,277	2,129,277	2,129,277	-
Fund balance, end of year	\$ (1,387)	\$ (325,227)	\$ 2,713,666	\$ 3,038,893

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BOND PROCEEDS FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 703	\$ 703
Total revenues	\$ -	\$ -	\$ 703	\$ 703
EXPENDITURES:				
Current:				
Public works			1,103	(1,103)
Capital outlay	-	81,707	17,646	64,061
Total expenditures	-	81,707	18,749	62,958
Excess (deficiency) of revenues over (under) expenditures	-	(81,707)	(18,046)	63,661
Net change in fund balance	-	(81,707)	(18,046)	63,661
Fund balance, beginning of year	142,321	142,321	142,321	-
Fund balance, end of year	<u>\$ 142,321</u>	<u>\$ 60,614</u>	<u>\$ 124,275</u>	<u>\$ 63,661</u>

**CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FLEET REPLACEMENT AND FACILITY MAINTENANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 23,521	\$ 23,521
Miscellaneous	20,000	20,000	77,982	57,982
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>101,503</u>	<u>81,503</u>
EXPENDITURES:				
Current:				
General government	-	-	896,159	(896,159)
Capital outlay:				
Capital outlay	3,097,797	4,954,568	754,002	4,200,566
Total expenditures	<u>3,097,797</u>	<u>4,954,568</u>	<u>1,650,161</u>	<u>3,304,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,077,797)</u>	<u>(4,934,568)</u>	<u>(1,548,658)</u>	<u>3,385,910</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,935,104	3,048,726	2,109,048	(939,678)
Total other financing sources (uses)	<u>2,935,104</u>	<u>3,048,726</u>	<u>2,109,048</u>	<u>(939,678)</u>
Net change in fund balance	(142,693)	(1,885,842)	560,390	2,446,232
Fund balance, beginning of year	<u>2,176,205</u>	<u>2,176,205</u>	<u>2,176,205</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,033,512</u>	<u>\$ 290,363</u>	<u>\$ 2,736,595</u>	<u>\$ 2,446,232</u>

CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REMEDATION FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 2	\$ 2
Total revenues	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
EXPENDITURES:				
Current:				
Public works	-	-	84,077	(84,077)
Capital outlay	<u>247,725</u>	<u>585,100</u>	<u>-</u>	<u>585,100</u>
Total expenditures	<u>247,725</u>	<u>585,100</u>	<u>84,077</u>	<u>501,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(247,725)</u>	<u>(585,100)</u>	<u>(84,075)</u>	<u>501,025</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>247,725</u>	<u>585,100</u>	<u>585,100</u>	<u>-</u>
Total other financing sources (uses)	<u>247,725</u>	<u>585,100</u>	<u>585,100</u>	<u>-</u>
Net change in fund balance	-	-	501,025	501,025
Fund balance, beginning of year	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 501,024</u>	<u>\$ 501,025</u>

CITY OF CHICO, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC INFRASTRUCTURE REPLACEMENT
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 14,530	\$ (14,530)
Total revenues	<u>-</u>	<u>-</u>	<u>14,530</u>	<u>(14,530)</u>
EXPENDITURES:				
Current:				
Public works	-	-	144,938	(144,938)
Capital outlay	<u>1,100,000</u>	<u>2,044,691</u>	<u>645,719</u>	<u>1,398,972</u>
Total expenditures	<u>1,100,000</u>	<u>2,044,691</u>	<u>790,657</u>	<u>1,254,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,100,000)</u>	<u>(2,044,691)</u>	<u>(776,127)</u>	<u>1,268,564</u>
Transfers in	<u>904,000</u>	<u>1,368,000</u>	<u>1,580,435</u>	<u>212,435</u>
Total other financing sources (uses)	<u>904,000</u>	<u>1,368,000</u>	<u>1,580,435</u>	<u>-</u>
Net change in fund balance	(196,000)	(676,691)	804,308.00	1,268,564
Fund balance, beginning of year	<u>1,735,116</u>	<u>1,735,116</u>	<u>1,735,116</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,539,116</u>	<u>\$ 1,058,425</u>	<u>\$ 2,539,424</u>	<u>\$ 1,268,564</u>

INTERNAL SERVICE FUNDS

Self Insurance

Accounts for liability, property and related insurance program activities; workers' compensation insurance program activities; and unemployment insurance reimbursement transactions to State Unemployment Insurance Fund.

Central Garage

Accounts for central garage operating costs which are subsequently distributed to user offices and departments.

Municipal Building Maintenance

Accounts for municipal buildings operating costs which are subsequently distributed to user offices and departments.

Information Services

Accounts for information and communications systems costs which are subsequently distributed to user offices and departments.

Retirement Funding

Accounts for annual payments of CalPERS Unfunded Liability.

CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2021

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Retirement Funding	Total
ASSETS						
Current assets:						
Cash and investments	\$ 5,335,786	\$ 50,579	\$ 123,666	\$ 267,721	\$ 3,309,260	\$ 9,087,012
Receivables:						
Accounts	191,533	-	-	-	-	191,533
Due from other funds	2,639,923	-	-	-	-	2,639,923
Inventories	-	47,145	-	-	-	47,145
Prepaid items	1,307	-	-	-	-	1,307
Total current assets	<u>8,168,549</u>	<u>97,724</u>	<u>123,666</u>	<u>267,721</u>	<u>3,309,260</u>	<u>11,966,920</u>
Noncurrent assets:						
Cash and investments with agent	300,000	-	-	-	-	300,000
Land and construction in progress	-	30,391	-	-	-	30,391
Other capital assets, net of accumulated depreciation	-	22,620	-	-	-	22,620
Total noncurrent assets	<u>300,000</u>	<u>53,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,011</u>
Total assets	<u>8,468,549</u>	<u>150,735</u>	<u>123,666</u>	<u>267,721</u>	<u>3,309,260</u>	<u>12,319,931</u>
DEFERRED OUTFLOWS OF						
Deferred amounts related to pensions	-	290,750	208,200	446,352	-	945,302
Total deferred outflows of resources	<u>-</u>	<u>290,750</u>	<u>208,200</u>	<u>446,352</u>	<u>-</u>	<u>945,302</u>
LIABILITIES						
Current liabilities:						
Accounts payable	334,819	29,749	59,388	23,305	-	447,261
Accrued salaries and benefits	-	17,834	18,950	32,614	-	69,398
Deposits	-	100	-	-	-	100
Compensated absences - current	-	5,623	6,099	8,620	-	20,342
Claims liability - current portion	2,177,493	-	-	-	-	2,177,493
Total current liabilities	<u>2,512,312</u>	<u>53,306</u>	<u>84,437</u>	<u>64,539</u>	<u>-</u>	<u>2,714,594</u>
Noncurrent liabilities:						
Compensated absences	-	38,798	42,087	59,481	-	140,366
Claims liability	5,409,956	-	-	-	-	5,409,956
Net pension liability	-	2,667,929	1,910,451	4,095,741	-	8,674,121
Total noncurrent liabilities	<u>5,409,956</u>	<u>2,706,727</u>	<u>1,952,538</u>	<u>4,155,222</u>	<u>-</u>	<u>14,224,443</u>
Total liabilities	<u>7,922,268</u>	<u>2,760,033</u>	<u>2,036,975</u>	<u>4,219,761</u>	<u>-</u>	<u>16,939,037</u>
DEFERRED INFLOWS OF						
Deferred amounts related to pensions	-	22,408	16,046	34,400	-	72,854
Total deferred inflows of resources	<u>-</u>	<u>22,408</u>	<u>16,046</u>	<u>34,400</u>	<u>-</u>	<u>72,854</u>
NET POSITION						
Net investment in capital assets	-	53,011	-	-	-	53,011
Unrestricted	546,281	(2,393,967)	(1,721,155)	(3,540,088)	3,309,260	(3,799,669)
Total net position (deficit)	<u>\$ 546,281</u>	<u>\$ (2,340,956)</u>	<u>\$ (1,721,155)</u>	<u>\$ (3,540,088)</u>	<u>\$ 3,309,260</u>	<u>\$ (3,746,658)</u>

CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Retirement Funding	Total
OPERATING REVENUES:						
Charges for services - internal	\$ 3,226,443	\$ 1,819,401	\$ 1,579,223	\$ 2,209,593	\$ 10,462,666	\$ 19,297,326
Charges for services - external	-	30,075	-	-	-	30,075
Total operating revenues	<u>3,226,443</u>	<u>1,849,476</u>	<u>1,579,223</u>	<u>2,209,593</u>	<u>10,462,666</u>	<u>19,327,401</u>
Salaries and benefits	-	727,476	700,436	1,240,565	-	2,668,477
Materials and supplies	482	365,475	101,784	49,851	-	517,592
Purchased services	1,957,175	114,584	404,984	722,833	-	3,199,576
Other Expenses	456,301	601,251	354,732	239,114	9,551,935	11,203,333
Depreciation	-	1,740	-	-	-	1,740
Total operating expenses	<u>2,413,958</u>	<u>1,810,526</u>	<u>1,561,936</u>	<u>2,252,363</u>	<u>9,551,935</u>	<u>17,590,718</u>
Operating income (loss)	<u>812,485</u>	<u>38,950</u>	<u>17,287</u>	<u>(42,770)</u>	<u>910,731</u>	<u>1,736,683</u>
NONOPERATING REVENUES						
Investment earnings	74,054	-	-	-	(13,783)	60,271
Miscellaneous expense	32,128	2,089	-	-	-	34,217
Miscellaneous expense	-	-	-	(739)	-	(739)
Total nonoperating revenues	<u>106,182</u>	<u>2,089</u>	<u>-</u>	<u>(739)</u>	<u>(13,783)</u>	<u>93,749</u>
Income (loss) before transfers	918,667	41,039	17,287	(43,509)	896,948	1,830,432
Transfers in	14,238	5,494	63,129	66,169	-	149,030
Transfers out	(687,319)	(10,824)	(29,056)	-	-	(727,199)
Change in net position	<u>245,586</u>	<u>35,709</u>	<u>51,360</u>	<u>22,660</u>	<u>896,948</u>	<u>1,252,263</u>
Net position (deficit), beginning of of year	<u>300,695</u>	<u>(2,376,665)</u>	<u>(1,772,515)</u>	<u>(3,562,748)</u>	<u>2,412,312</u>	<u>(4,998,921)</u>
Net position (deficit), end of year	<u>\$ 546,281</u>	<u>\$ (2,340,956)</u>	<u>\$ (1,721,155)</u>	<u>\$ (3,540,088)</u>	<u>\$ 3,309,260</u>	<u>\$ (3,746,658)</u>

**CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Retirement Funding	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from services provided	\$ 3,332,625	\$ 1,853,653	\$ 1,579,223	\$ 2,208,854	\$ 10,448,883	\$ 19,423,238
Payments to suppliers and claimants	(2,781,695)	(1,101,588)	(862,352)	(1,028,963)	(9,551,935)	(15,326,533)
Payments to employees	-	(706,641)	(702,429)	(1,205,313)	-	(2,614,383)
Net cash provided (used) by operating activities	<u>550,930</u>	<u>45,424</u>	<u>14,442</u>	<u>(25,422)</u>	<u>896,948</u>	<u>1,482,322</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Interfund borrowings	(2,379,436)	-	-	-	-	(2,379,436)
Transfers in	14,238	5,494	63,129	66,169	-	149,030
Transfers out	(687,319)	(10,824)	(29,056)	-	-	(727,199)
Net cash provided (used) by noncapital financing activities	<u>(3,052,517)</u>	<u>(5,330)</u>	<u>34,073</u>	<u>66,169</u>	<u>-</u>	<u>(2,957,605)</u>
Net increase (decrease) in cash and cash equivalents, beginning of year	(2,501,587)	40,094	48,515	40,747	896,948	(1,475,283)
Cash and cash equivalents, beginning of year	8,137,373	10,485	75,151	226,974	2,412,312	10,862,295
Cash and cash equivalents, end of year	<u>\$ 5,635,786</u>	<u>\$ 50,579</u>	<u>\$ 123,666</u>	<u>\$ 267,721</u>	<u>\$ 3,309,260</u>	<u>\$ 9,387,012</u>
RECONCILIATION TO STATEMENT OF NET POSITION:						
Cash and investments	\$ 5,335,786	\$ 50,579	\$ 123,666	\$ 267,721	\$ 3,309,260	\$ 9,087,012
Restricted cash and investments	300,000	-	-	-	-	300,000
CASH AND INVESTMENTS, end of year	<u>\$ 5,635,786</u>	<u>\$ 50,579</u>	<u>\$ 123,666</u>	<u>\$ 267,721</u>	<u>\$ 3,309,260</u>	<u>\$ 9,387,012</u>

CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Retirement Funding	Total
RECONCILIATION OF OPERATING INCOME						
(LOSS) TO NET CASH PROVIDED (USED)						
BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 812,485	\$ 38,950	\$ 17,287	\$ (42,770)	\$ 910,731	\$ 1,736,683
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	-	1,740	-	-	-	1,740
OPEB expense	-	(10,037)	(7,187)	(15,408)	-	(32,632)
Pension expense	-	22,405	16,044	34,397	-	72,846
Miscellaneous revenue	106,182	2,089	-	(739)	(13,783)	93,749
Intergovernmental receivable	-	2,088	-	-	-	2,088
Prepaid	(63)	-	-	114,997	-	114,934
Inventories	-	(5,126)	-	-	-	(5,126)
Accounts payable	136,335	(15,352)	(852)	(132,162)	-	(12,031)
Deposits	300	200	-	-	-	500
Accrued salaries and benefits	-	(50)	1,525	2,051	-	3,526
Compensated absences	-	8,517	(12,375)	14,212	-	10,354
Claims liability	(504,309)	-	-	-	-	(504,309)
Total adjustments	(261,555)	6,474	(2,845)	17,348	(13,783)	(254,361)
Net cash provided (used) by operating activities	\$ 550,930	\$ 45,424	\$ 14,442	\$ (25,422)	\$ 896,948	\$ 1,482,322

STATISTICAL SECTION (UNAUDITED)

This part of the City of Chico's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents:	Page
Financial Trends	100-104
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	105-109
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	110-113
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	114-118
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	119-120
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Chico, California
Net Position by Component
Last Ten Fiscal Years
(acrual basis of accounting)
(amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 110,074	\$ 105,769	\$ 106,134	\$ 111,705	\$ 113,120	\$ 114,106	\$ 111,573	\$ 112,439	\$ 121,203	\$ 123,631
Restricted	64,494	69,526	82,485	89,720	87,015	91,661	94,268	98,771	108,002	116,537
Unrestricted	(43,720)	(11,653)	(3,972)	(92,205)	(82,202)	(77,226)	(77,243)	(70,952)	(56,462)	(51,643)
Total governmental activities net position	\$ 330,848	\$ 363,642	\$ 384,647	\$ 309,220	\$ 317,933	\$ 328,541	\$ 328,599	\$ 340,238	\$ 374,743	\$ 388,525
Business-type activities										
Net investment in capital assets	\$ 114,359	\$ 75,135	\$ 79,617	\$ 85,684	\$ 85,451	\$ 90,874	\$ 94,581	\$ 95,524	\$ 105,603	\$ 114,578
Restricted	3,588	5,230	6,857	8,804	10,641	12,519	14,427	16,369	17,283	32,964
Unrestricted	(990)	12,553	12,621	(743)	1,786	3	4	1,749	5,951	
Total business-type activities net position	\$ 116,957	\$ 92,918	\$ 99,095	\$ 93,745	\$ 97,878	\$ 103,396	\$ 109,012	\$ 113,642	\$ 128,836	\$ 147,542
Primary government										
Net investment in capital assets	\$ 424,433	\$ 380,904	\$ 385,751	\$ 397,389	\$ 398,571	\$ 404,980	\$ 406,155	\$ 407,963	\$ 428,806	\$ 438,209
Restricted	68,082	74,756	89,342	98,524	97,656	104,180	108,695	115,140	125,285	116,538
Unrestricted	(14,710)	900	8,649	(92,948)	(80,416)	(77,223)	(77,243)	(69,203)	(30,511)	(18,679)
Total primary government net position	\$ 447,805	\$ 456,560	\$ 483,742	\$ 402,965	\$ 415,811	\$ 431,936	\$ 437,607	\$ 453,899	\$ 503,579	\$ 536,068

City of Chico, California
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 2,341	\$ 2,667	\$ 2,636	\$ 3,218	\$ 3,972	\$ 4,577	\$ 5,059	\$ 5,160	\$ 7,182	\$ 18,655
Public safety	37,436	37,792	34,599	36,709	39,324	41,972	41,214	42,712	45,845	34,361
Public works	18,764	19,555	16,823	18,954	18,530	18,589	19,763	20,062	18,097	17,823
Parks and recreation	3,476	3,531	3,360	3,582	3,388	3,537	3,567	3,849	3,901	3,728
Arts and culture	-	-	-	-	-	-	-	-	28	-
Community development	4,088	2,575	2,654	2,296	2,588	3,360	2,432	2,207	2,679	8,362
Community agencies	354	323	162	53	99	100	50	2	10	3
Redevelopment	5,187	-	-	-	-	-	-	-	-	-
Interest on long-term debt	2,424	3	3	3	85	80	82	140	46	81
Total governmental activities expenses	74,070	66,451	60,237	64,815	67,986	72,215	72,167	74,131	77,788	83,013
Business-type activities:										
Sewer	10,383	12,161	12,235	11,428	10,986	11,451	12,092	11,867	13,340	11,636
Parking	1,034	1,017	825	714	839	849	1,027	1,333	1,093	948
Private development	1,794	1,993	2,479	2,746	3,001	3,488	3,686	4,099	4,648	4,365
Airport	1,786	2,001	2,263	2,036	1,927	104,180	2,167	2,593	2,044	2,043
Waste management	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	14,997	17,172	17,802	16,924	16,753	119,968	18,972	19,892	21,125	18,992
Program Revenues										
Governmental activities:										
Charges for services:										
General government	97	-	-	349	188	247	318	1,226	7,721	772
Public safety	1,283	1,139	962	1,163	1,118	1,176	1,395	1,592	5,215	1,212
Public works	1,934	3,439	5,641	8,674	9,462	8,715	8,288	5,894	1,389	11,449
Community development	5,793	2	17	1	94	215	237	16	67	65
Other activities	120	106	155	86	282	4,487	1,338	56	10	4
Operating grants and contributions	13,102	9,297	10,874	11,855	10,752	9,976	8,229	5,517	9,677	9,061
Capital grants and contributions	4,064	3,261	2,235	4,565	2,075	929	3,808	6,714	5,790	8,424
Total governmental activities program revenues	26,393	17,244	19,884	26,693	23,971	25,745	23,612	21,034	29,869	30,987
Business-type activities:										
Charges for services:										
Sewer	10,000	14,857	14,942	16,465	14,333	14,737	13,802	14,788	15,433	18,055
Private development	1,461	2,026	2,470	2,539	3,166	3,906	1,876	2,210	5,061	5,103
Other activities	1,525	1,496	1,506	1,453	1,633	1,745	3,923	4,191	2,110	1,015
Operating grants and contributions	130	318	303	-	270	3,252	2,649	2,266	8,817	-
Capital grants and contributions	10,655	8,713	4,335	7,352	812	1,942	292	77	2,588	11,223
Total business-type activities program revenues	23,771	27,410	23,756	27,809	20,214	25,582	22,543	23,532	34,010	35,396
Total primary government program revenues	50,164	44,654	43,640	54,502	44,185	51,327	46,155	44,567	63,878	75,663
Net (expense)/revenue										
Governmental activities	(47,677)	(49,207)	(40,353)	(38,122)	(44,015)	(46,470)	(48,555)	(53,097)	(47,920)	(52,027)
Business-type activities	8,774	10,238	5,954	10,885	3,461	(94,385)	3,571	3,641	12,885	16,404
Total primary government net expense	\$ (38,903)	\$ (38,969)	\$ (34,399)	\$ (27,237)	\$ (40,554)	\$ (140,855)	\$ (44,984)	\$ (49,456)	\$ (35,035)	\$ (35,623)

City of Chico, California
Changes in Net Position
Last Ten Fiscal Years
(accrual bases of accounting)
(amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 25,998	\$ 11,604	\$ 12,327	\$ 13,649	\$ 14,564	\$ 15,169	\$ 15,410	\$ 16,750	\$ 18,616	\$ 19,896
Sales and use tax	12,367	12,783	13,945	14,597	17,320	21,134	21,832	25,173	24,435	28,177
Sales tax in-lieu	4,128	4,261	4,597	4,812	2,589	-	-	-	-	-
Utility users tax	6,655	6,241	6,305	6,203	6,552	6,895	7,052	7,200	7,317	8,119
Other taxes	3,976	4,078	4,324	5,536	4,836	5,200	6,332	7,890	7,507	7,777
Unrestricted grants and contributions	33	2,483	8,576	8,837	5,854	0	1,776	5,627	14,110	2,073
Unrestricted investment earnings	54	168	136	231	250	109	266	1,162	1,568	929
Miscellaneous	200	158	921	155	83	182	588	1,180	714	782
Extraordinary Gain due to dissolution of RDA	70,196	-	-	-	-	-	-	-	-	-
Loss on disposition of capital assets	-	(667)	(118)	(545)	-	-	-	-	-	-
Loans received from private-purpose trust fund	-	6,361	4,100	-	-	-	-	-	-	-
Honds received from private-purpose trust fund	-	-	6,467	-	-	-	-	-	-	-
Special item	-	-	-	-	-	-	-	-	8,012	-
Transfers	200	(9,729)	(222)	(718)	(601)	(370)	(428)	(195)	125	(1,942)
Business-type activities:										
Unrestricted investment earnings	-	-	-	-	70	149	322	793	812	361
Special item	-	-	-	-	-	-	-	-	1,623	-
Transfers	(200)	9,729	222	718	601	370	428	195	(125)	(1,942)
Total business-type activities	(200)	9,729	222	718	671	519	750	988	2,310	2,303
Total primary government	<u>\$ 123,607</u>	<u>\$ 47,470</u>	<u>\$ 61,580</u>	<u>\$ 53,475</u>	<u>\$ 52,118</u>	<u>\$ -8,818</u>	<u>\$ 750</u>	<u>\$ 65,775</u>	<u>\$ 84,715</u>	<u>\$ 68,113</u>
Change in Net Position										
Governmental activities	\$ 76,129	\$ (11,467)	\$ 21,005	\$ 14,635	\$ 7,432	\$ 10,607	\$ 2,103	\$ 11,663	\$ 34,485	\$ 13,783
Business-type activities	8,574	19,968	6,177	11,603	4,133	8,409	4,321	4,629	15,194	18,706
Total	<u>\$ 84,703</u>	<u>\$ 8,301</u>	<u>\$ 27,182</u>	<u>\$ 26,238</u>	<u>\$ 11,565</u>	<u>\$ 19,016</u>	<u>\$ 6,423</u>	<u>\$ 16,292</u>	<u>\$ 49,679</u>	<u>\$ 32,489</u>

City of Chico, California
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year Ending June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 1,088	\$ 554	\$ 52	\$ 236	\$ 243	\$ 224	\$ 235	\$ 64	\$ 67	\$ 175
Restricted	-	-	-	-	-	-	-	1,831	2,229	2,250
Committed	4,262	-	-	988	1,025	2,461	3,650	5,017	12,205	12,329
Assigned	-	-	-	2,980	678	3,837	4,576	5,602	11,236	9,488
Unassigned	-	(8,219)	(2,858)	-	4,643	2,454	3,835	7,770	4,161	15,191
Total General Fund	\$ 5,350	\$ (7,665)	\$ (2,806)	\$ 4,204	\$ 6,589	\$ 8,976	\$ 12,296	\$ 20,284	\$ 29,898	\$ 39,433
All other Governmental funds:										
Nonspendable	\$ 56,356 ²	\$ 3,008	\$ 1,841	\$ 757	\$ 55	\$ 41	\$ -	\$ 5	\$ 152	\$ -
Restricted	5,411 ²	70,020	82,397	84,034	87,431	92,390	94,714	99,757 ¹	109,407 ³	114,419
Committed	2,924	-	-	-	-	-	3,650	-	-	-
Assigned	-	848	2,871	4,263	4,429	4,926	9,233	4,232	4,305	5,951
Unassigned	(2,313)	(7,871)	(4,985)	(4,413)	(3,527)	(6,560)	(1,416)	(2,594)	(1,519)	(834)
Total other Governmental Funds	\$ 62,359	\$ 66,005	\$ 82,124	\$ 84,641	\$ 88,388	\$ 90,797	\$ 106,180	\$ 101,399	\$ 112,345	\$ 119,536

(a) The City implemented GASB Statement No. 54 in the fiscal year ended June 30, 2011.

1 Changes were due primarily to the reclassification of the Redevelopment Agency Fund (blended component unit) to a Major Special Revenue Fund in the City's Comprehensive Annual Financial Report.

2 Changes were due primarily to the reclassification of loans receivable previously reported as nonspendable but now reported as restricted fund balance.

3 Changes were due reclassification of individual Public Facilities Impact Fees to one fund.

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Property taxes	\$ 25,991	\$ 11,589	\$ 12,311	\$ 13,649	\$ 14,564	\$ 15,169	\$ 15,410	\$ 16,750	\$ 18,616	\$ 19,896
Sales and use taxes	16,502	17,044	18,542	19,408	19,908	21,134	21,832	25,174	24,435	28,177
Other taxes	10,517	10,198	10,509	11,739	11,389	12,095	13,383	15,089	14,824	15,896
Licenses and permits	121	136	133	131	108	91	147	139	91	91
Intergovernmental	15,993	10,831	12,215	14,951	12,817	10,137	11,261	15,450	14,472	18,025
Charges for services	7,327	3,118	5,619	7,994	6,875	9,083	8,811	6,118	13,119	11,758
Fines, forfeitures, and penalties	882	776	743	854	777	840	806	904	731	492
Use of money and property	502	426	361	528	728	814	989	1,834	2,161	1,682
Miscellaneous	414	360	1,138	247	216	524	348	1,180	714	782
Total revenues	78,249	54,478	61,571	69,501	67,382	69,887	72,987	82,638	89,163	96,796
Expenditures										
General government	1,762	2,278	2,232	2,397	3,692	4,265	4,615	4,456	5,636	5,764
Public safety	35,085	35,332	32,853	34,203	37,820	37,896	37,554	39,528	40,552	42,189
Public works	9,248	9,794	7,652	9,119	9,219	9,639	9,982	10,041	8,026	8,300
Parks and recreation	2,916	3,044	2,883	2,976	3,074	3,153	3,022	3,312	3,275	3,344
Arts and culture	-	-	-	-	-	-	-	27	28	-
Community development	4,050	2,468	2,589	2,228	2,657	3,189	2,393	2,131	2,501	8,344
Community agencies	350	323	162	53	99	100	50	2	10	4
Redevelopment	5,312	-	-	-	-	-	-	-	-	-
Contribution to other governments	-	-	-	-	-	-	-	-	-	-
Capital outlay	6,941	4,357	2,581	8,290	7,427	6,793	7,153	7,897	8,537	10,153
Principal retirement	2,793	-	-	-	279	384	381	392	512	528
Interest and fiscal charges	3,726	3	1	3	85	80	82	90	96	81
Total expenditures	72,183	57,600	50,956	59,269	64,352	65,498	65,232	67,875	69,174	78,706
Excess of revenues over (under) expenditures	6,066	(3,122)	10,616	10,232	3,030	4,389	138,219	14,763	19,989	18,090
Other financing sources (uses)										
Transfers in	5,834	6,424	5,864	5,038	5,620	4,692	4,624	6,596	5,909	7,561
Transfers out	(5,613)	(16,306)	(6,009)	(5,742)	(5,651)	(4,754)	(5,737)	(6,962)	(5,338)	(8,925)
Capital leases	-	-	-	-	1,132	473	-	870	-	-
Issuance of long-term debt	554	-	-	-	-	-	-	-	-	-
Extraordinary gain due to dissolution of RDA	41,849	-	-	-	-	-	-	-	-	-
Extraordinary loss due to dissolution of RDA	(79,156)	-	-	-	-	-	-	-	-	-
Loans received from private-purpose trust fund	-	6,361	4,100	-	-	-	-	-	-	-
bond proceeds from private purpose trust fund	-	-	6,467	-	-	-	-	-	-	-
Total other financing sources (uses)	(36,532)	(3,521)	10,362	(704)	3,101	411	(1,113)	505	571	(1,364)
Net change in fund balance	\$ (30,466)	\$ (6,643)	\$ 20,977	\$ 9,528	\$ 6,131	\$ -4,799	\$ 137,106	\$ 15,267	\$ 20,560	\$ 16,726
Debt service as a percentage of noncapital expenditures	10%	0%	0%	0%	1%	1%	1%	1%	1%	1%

i - Decrease in debt service as a percentage of noncapital expenditures is due to the reclassification of loans into the City's Sewer Fund.

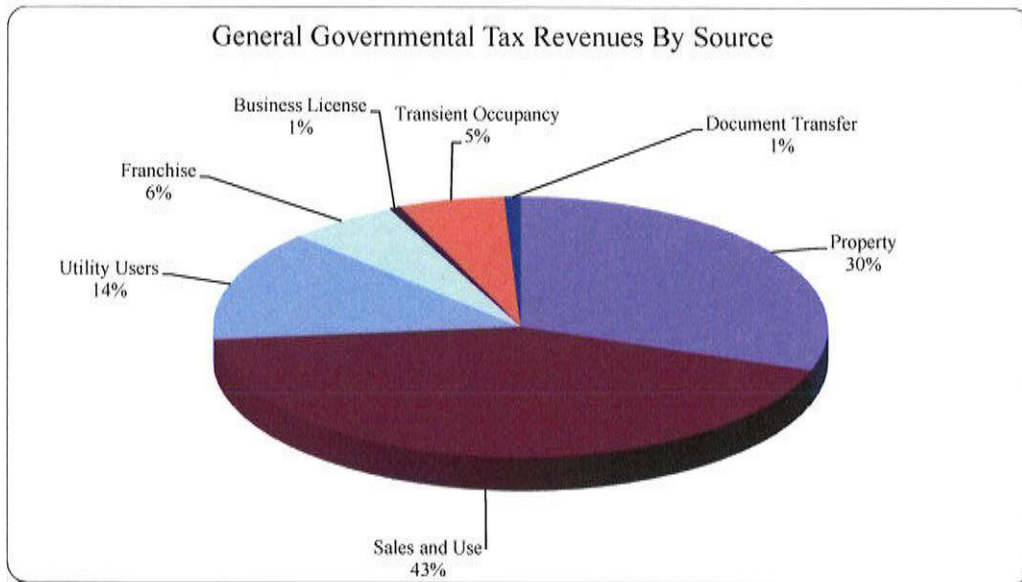
City of Chico, California
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property	Sales and Use	Utility Users	Other Taxes				Total
				Franchise	Business License	Transient Occupancy	Document Transfer	
2012 (1)	25,991	16,502	6,655	1,293	515	1,970	197	53,123
2013 (2)	11,589	17,044	6,241	1,480	319	2,049	230	38,952
2014	12,311	18,542	6,305	1,548	311	2,219	245	41,481
2015	13,649	19,409	6,203	2,927	304	2,362	288	45,142
2016	14,564	19,909	6,553	1,877	295	2,522	312	46,032
2017	15,169	21,134	6,895	1,998	298	2,712	386	48,592
2018	15,410	21,832	7,052	2,943	296	2,835	441	50,810
2019	16,750	25,174	7,200	3,441	326	3,569	531	56,990
2020	18,616	24,435	7,317	3,737	292	3,000	454	57,851
2021	19,896	28,177	7,360	3,429	386	2,747	532	62,526

Notes: General Governmental Revenues includes General, Special Revenue, Debt Service and Capital Projects Funds.

- (1) Decrease was due to the dissolution of the City Redevelopment Agency on January 31, 2012
- (2) Decrease was due to the first full year subsequent to the dissolution of the City Redevelopment Agency

Source: City of Chico, Finance Department.



City of Chico, California
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

City of Chico

Fiscal Year	Secured Roll	Utility Roll	Unsecured Roll	Gross Assessed Value	Less Exemptions	Net Assessed Value	Total Direct Tax Rate %
2012	7,140,144	969	485,354	7,626,467	623,104	7,003,363	1.0000
2013	7,051,026	969	474,665	7,526,660	674,431	6,852,229	1.0000
2014	7,300,487	969	474,173	7,775,629	740,734	7,034,895	1.0000
2015	7,506,597	766	496,210	8,003,573	660,197	7,343,376	1.0000
2016	7,974,709	766	497,516	8,472,991	703,805	7,769,186	1.0000
2017	8,334,966	766	527,595	8,863,327	738,780	8,124,547	1.0000
2018	8,805,532	662	560,997	9,367,191	768,498	8,598,694	1.0000
2019	9,336,796	1,057	579,295	9,917,149	803,824	9,113,324	1.0000
2020	9,319,927	527	571,141	9,891,595	1,041,111	9,891,594	1.0000
2021	10,752,282	527	654,294	11,407,103	854,124	10,552,979	1.0000

Source: Butte County Auditor/Controller's Office.

City of Chico, California
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Chico			Overlapping Rates		Total Direct and Overlapping Rates %
	Basic Countywide Levy %	City %	Total Direct Tax Rate %	Chico Unified School District % (1)	Butte College % (2)	
2011	1.00	0.00	1.00	0.0415	0.0209	1.0624
2012	1.00	0.00	1.00	0.0211	0.0209	1.0420
2014	1.00	0.00	1.00	0.0401	0.0209	1.0610
2015	1.00	0.00	1.00	0.0451	0.0209	1.0660
2016	1.00	0.00	1.00	0.0291	0.0209	1.0500
2017	1.00	0.00	1.00	0.0817	0.0466	1.1283
2018	1.00	0.00	1.00	0.0874	0.0413	1.1287
2019	1.00	0.00	1.00	0.0616	0.0413	1.1029
2021	1.00	0.00	1.00	0.0843	0.0414	1.1256

On June 6, 1978, California voters approved an amendment to the Article XIII A of the California Constitution. The amendment, commonly known as Proposition 13, limits the taxing power of California public agencies. The California Legislature enacted legislation to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) providing that local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted of \$1.00 per 100 of full assessed value.

- (1) Chico Unified School District: 1998 Series B, 2012 Chico Refunding and 2012 Measure E Series A.
- (2) Butte-Glenn Community College District: General obligation bonds, Refunded Series A and B, and Series B and C.

Source: Butte County Auditor/Controller's Office.

City of Chico, California
Principal Secured Property Taxpayers
June 30, 2021
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
Sierra Nevada Brewing Company	\$ 102,400	1	0.98	24,017	4	0.38
Merle A Webb and Sons LP	93,884	2	0.90	-	-	-
Amcal Chico LLC	58,376	3	0.56	-	-	-
MP Core Chico LLC	58,315	4	0.56	-	-	-
Chico Crossroads LP	43,322	5	0.42	28,914	2	0.46
North Chico LLC	41,384	6	0.40	-	-	-
Comcast	38,717	7	0.37	-	-	-
ECP TPB1 LLC	33,249	8	0.32	-	-	-
Chico Senior Living LP	31,950	9	0.31	-	-	-
Air Spray USA Inc	30,828	10	0.30	-	-	-
Chico Mall LP				\$ 55,583	1	0.88
Carwood Skypark LLC				24,535	3	0.39
California Water Service				23,181	5	0.37
Costco Wholesale				19,608	6	0.31
Evergreen Orchard LLC				18,541	7	0.29
Lowe's HIW				15,154	8	0.24
Gregory L. and Joan R. Webb				14,334	9	0.23
Walmart Real Estate Business Trust				14,047	10	0.22
Largest Secured Property Valuation	532,428			237,912		
Other Secured Taxpayers	9,896,278			6,064,619		
Total Secured Property Valuation - Net of Exemptions	\$ 10,428,706		100.00%	\$ 6,302,531		100.00%

Source: Butte County Auditor/Controller's Office.
HdL's " 2017/18 Top Property Taxpayers - Secured."
2009 Comprehensive Annual Financial Report Statistics Table 8

City of Chico, California
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Total Tax Levy		Percent of Levy			Total Tax Collections	Percent of Total Collections to Tax Levy
		(2)	Current Tax Collections	Collected (1)	Delinquent Tax Collections		
2012	\$ 25,991	(2)	\$ 25,991	100	-	25,991	100
2013	\$ 11,589	(3)	\$ 11,589	100	-	11,589	100
2014	\$ 12,311		\$ 12,311	100	-	12,311	100
2015	\$ 13,649		\$ 13,649	100	-	13,649	100
2016	\$ 14,564		\$ 14,564	100	-	14,564	100
2017	\$ 15,169		\$ 15,169	100	-	15,169	100
2018	\$ 15,410		\$ 15,410	100	-	15,410	100
2019	\$ 16,750		\$ 16,750	100	-	16,750	100
2020	\$ 18,616		\$ 18,616	100	-	18,616	100
2021	\$ 19,896		\$ 19,896	100	-	19,896	100

Source: Butte County Auditor/Controller's Office.
City of Chico, Finance Department.

Note: Amounts shown are net of property tax administration fee. The amounts presented include City property taxes and former Chico Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and former Chico Redevelopment Agency that were passed through to other taxing agencies.

- (1) The City participates in the County "Tecton Plan" method of property tax distribution. Under the Tecton Plan, the County remits property taxes and assessments to the City based on levy, not on collections.
- (2) Tax levy decreased substantially in 2012 due to the dissolution of the City's Redevelopment Agency on January 31, 2012. Included tax increment for the first half of the fiscal year.
- (3) Tax levy decreased substantially in 2013 due to the dissolution of the City's Redevelopment Agency on January 31, 2012. No tax increment in the fiscal year.

City of Chico, California
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except percentage of personal income)

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>Revenue Bonds</u>	<u>Loans</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Loans</u>			
2012	-	46,364	-	-	13,072	59,436	0.81	679
2013	-	-	-	-	55,746	55,746	0.76	636
2014	-	-	-	-	51,966	51,966	0.66	588
2015	-	-	-	-	48,093	48,093	0.58	537
2016	-	-	2,852	-	-	2,851	0.03	31
2017	-	-	2,568	-	40,063	42,631	0.47	457
2018	-	-	2,559	-	-	2,559	0.03	23
2019	-	-	3,038	-	31,635	34,673	0.35	314
2020	-	-	2,526	-	27,266	29,792	0.29	323
2021	-	-	1,998	-	31,635	33,633	0.32	364

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Revenue bonds are no longer an obligation of the City's, but rather of the Successor Agency to the Chico Redevelopment Agency due to the dissolution of the City Redevelopment Agency on January 31, 2012.

In 2013, existing loans were moved from Governmental Activities to Business-Type Activities to more accurately reflect the Funds responsible for the debt.

Source: City of Chico, Finance Department.
U.S. Census Bureau.
State of California, Department of Finance, Demographic Research Unit.

City of Chico, California
Direct and Overlapping Government Activities Debt
June 30, 2021
(amounts expressed in thousands)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City *	City Share of Debt
Overlapping Debt Repaid with Property Tax:			
Chico Unified School District	\$ 159,750	75.58%	\$ 120,732
Butte-Glenn Community College District	136,445	45.87%	62,590
Subtotal, overlapping debt			183,322
City of Chico direct debt			-
Total direct and overlapping debt			\$ 183,322

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the city's taxable assessed value and dividing it by the Chico Unified School District's and Butte-Glenn Community College District's taxable assessed value.

Chico Unified School District.
Butte Community College.

**City of Chico, California
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Fiscal Year 2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Assessed Valuation (less other exemptions)	\$ 7,003,363	\$ 6,852,229	\$ 7,034,895	\$ 7,343,376	\$ 7,769,186	\$ 8,124,547	\$ 8,598,694	\$ 9,113,324	\$ 9,891,594	\$ 10,552,979
Debt Limit - 15 Percent of Assessed Valuation (1)	\$ 1,050,504	\$ 1,027,834	\$ 1,055,234	\$ 1,101,506	\$ 1,165,378	\$ 1,218,682	\$ 1,289,804	\$ 1,366,999	\$ 1,483,739	\$ 1,582,947
Amount of Debt Applicable to Debt Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 1,050,504	\$ 1,027,834	\$ 1,055,234	\$ 1,101,506	\$ 1,165,378	\$ 1,218,682	\$ 1,289,804	\$ 1,366,999	\$ 1,483,739	\$ 1,582,947
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Butte County Auditor/Controller's Office.

(1) Section 43605 of the California Government Code provides that:
"A city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section 'indebtedness' means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city."

**City of Chico, California
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Parking Fund Bond (1)					Tax Allocation Bonds (2)		
	Gross Revenue	Operating Expenses	Net Revenue Available for Debt Service	Total Debt Service	% Coverage	Tax Increment	Debt Service Interest	% Coverage
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-

Source: City of Chico, Finance Department.

Note: (1) 1994 Parking Revenue Bonds:
 - Operating Expenses exclude Depreciation and one-time non-recurring items.
 - Parking Bonds were retired in August 2009.

(2) 2001, 2005 and 2007 Tax Allocation Bonds. Bonds were no longer an obligation of the City due to the dissolution of the Chico Redevelopment Agency on January 31, 2012.

City of Chico, California
 Demographic and Economic Statistics
 Last Ten Fiscal Years

City of Chico			Chico Metropolitan Statistical Area		
Fiscal Year	City of Chico Population (1)	City of Chico Unemploy- ment Rate (3)	Butte County Personal Income (thousands of dollars) (2)	Butte County Per Capita Personal Income (2)	Butte County Unemploy- ment Rate (3)
2012	87,500	11.5	221,273	33,317	12.3
2013	87,671	9.3	221,485	33,173	10.0
2014	88,389	7.5	222,316	35,571	8.1
2015	89,634	5.7	224,323	36,781	6.9
2016	92,464	5.6	224,601	36,946	6.7
2017	93,383	5.3	226,404	39,796	6.3
2018	92,348	4.1	227,621	41,586	4.7
2019	112,111	3.6	226,466	43,828	5.0
2020	110,326	9.2	210,291	48,768	9.0
2021	111,490	4.5	202,669	51,760	5.0

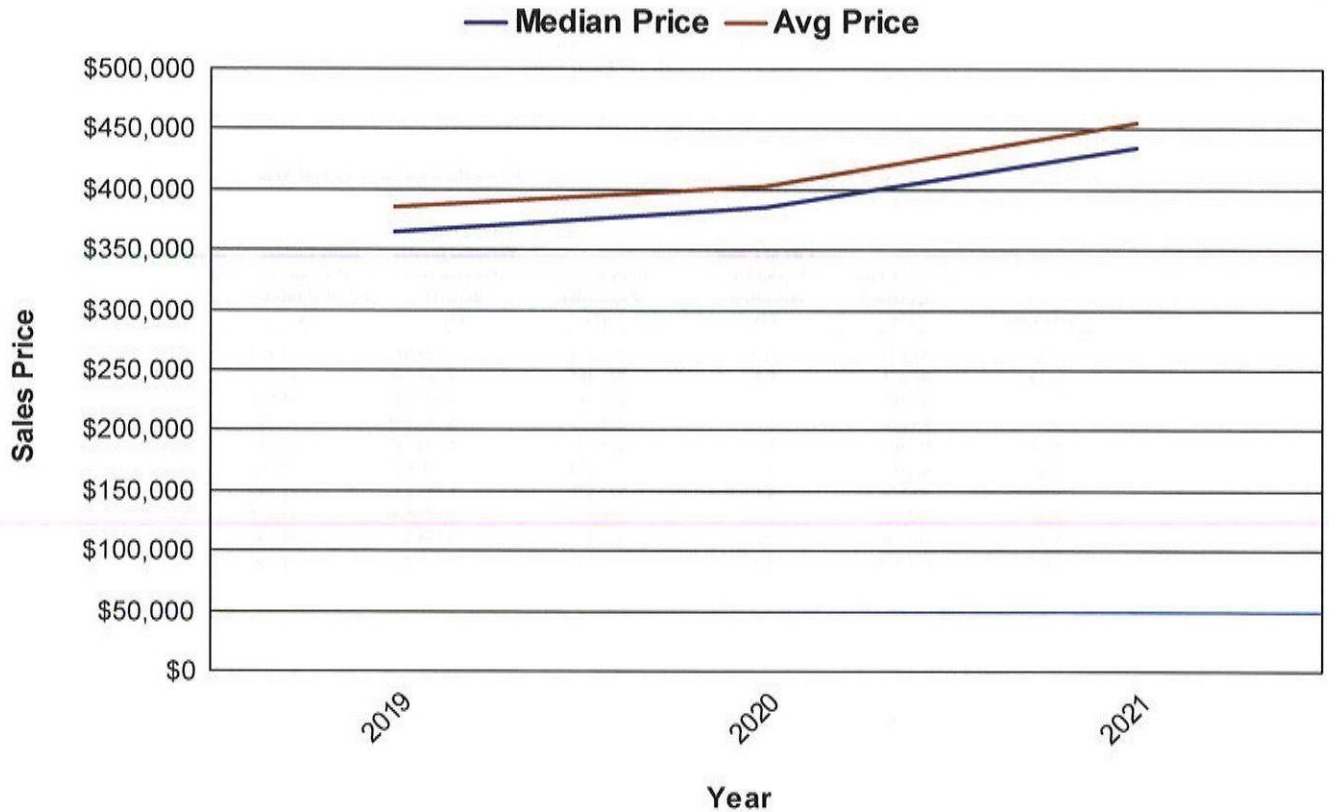
(1) Source: State of California, Department of Finance, Demographic Research Unit.
 (2) Source: U.S. Department of Commerce - Bureau of Economic Analysis.
 (3) Source: Employment Development Department - Labor Market Information.

THE CITY OF CHICO

SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2019 - 7/31/2021)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2019	1,519	\$384,723	\$365,000	
2020	1,327	\$402,136	\$385,000	5.48%
2021	777	\$456,122	\$434,000	12.73%



*Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

Data Source: Butte County Recorder

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

**City of Chico, California
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2020¹</u>			<u>2011²</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Enloe Medical Center	3,563	1	8.69%	2,275	1	5.10%
Chico Unified School District	1,494	2	3.64	1,400	3	3.14
California State University, Chico	1,106	3	2.70	1,825	2	4.09
Build.com	543	4	0.01			-
Sierra Nevada Brewery	485	5	1.18	325	6	0.73
United Health Care	425	6	0.01			-
City of Chico	369	7	0.90	402	4	0.90
Costco	350	8	0.85			-
Walmart	276	9	0.67	400	5	0.90
Lulu's Fashion Lounge	217	10	0.01			-
Sun Gard Bi-Tech			-	200	7	0.45
Aero Union Corporation			-	175	8	0.39
Chico Enterprise Record			-	150	9	0.34
Smuckers			-	125	10	0.28
Total	8,828		21.53%	7,277		16.31%

¹ No current data available for this statistic, therefore 2020 statistics are carried forward from 2019 except for City of Chico, which represents the actual 2020 amount.

² No current data available for this statistic, therefore 2011 statistics are carried from the Fiscal Year 2010 except the City of Chico, which represents the actual 2011 amount. All numbers are estimates except the City of Chico amounts.

Source: City of Chico staff.

City of Chico
 Taxable Sales by Category
 Last Ten Calendar Years
 (in thousands of dollars)
 Adjusted for Economic Data

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Apparel Stores	\$ 78,859	\$ 81,714	\$ 86,262	\$ 89,553	\$ 99,791	\$ 107,632	\$ 119,571	\$ 133,751	\$ 144,199	\$ 95,320
General Merchandise	253,650	255,407	253,744	256,841	260,410	258,559	264,131	272,557	283,108	255,297
Food Stores	66,577	69,397	69,032	70,633	70,758	72,465	73,581	76,863	82,268	89,689
Eating and Drinking Places	174,593	185,980	195,278	208,922	224,799	233,119	243,192	259,328	278,607	206,213
Building Materials	188,695	218,756	249,603	267,063	309,780	323,989	357,967	393,836	445,204	533,382
Auto Dealers and Supplies	162,485	179,016	197,372	216,129	237,427	249,327	268,474	279,649	284,736	280,835
Service Stations	148,345	158,714	152,012	148,133	121,206	104,258	118,721	140,011	156,977	98,756
Other Retail Stores	269,391	273,413	287,590	300,556	312,590	313,409	320,049	341,029	368,931	331,445
All Other Outlets	350,407	377,501	413,463	432,285	466,943	491,931	530,656	549,144	682,831	729,804
Total	\$ 1,693,001	\$ 1,799,897	\$ 1,904,356	\$ 1,990,114	\$ 2,103,703	\$ 2,154,686	\$ 2,296,342	\$ 2,446,169	\$ 2,726,862	\$ 2,620,741

Sources: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office, The HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

City of Chico, California
Full-time and Part-time City of Chico Employees by Function
Last Ten Fiscal Years

Function	Full-time and Part-time Employees									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	45	42	29	29	31	30	30	31	31	37
Public safety										
Police	4 148 4	143 4	131 4	136 4	143 4	143 4	148 4	153 4	154 4	157
Fire	70	67	74	74	74	59	59	59	60	62
Public works	59	67 2	69	69	72	73	73	76	81	87
Parks and recreation	21	21	12	13	13	14	14	13	14	18
Community development	1 8 1	36 3	20	21	22	22	22	24	27	30
Sewer	16	0	0	0	0	0	0	0	0	0
Parking	2	0	0	0	0	0	0	0	0	0
Private development	24	0	0	0	0	0	0	0	0	0
Airport	0	0	0	0	0	2	0	0	2	2
Total	393	376	334	342	355	343	346	356	369	393

Note: Numbers shown reflect budgeted Full-Time Equivalent positions. Budget to actuals variance at any time is immaterial. The number of employees may not agree with the Principal Employers table due to timing and methodology differences. Employees per function are rounded to the nearest

- 1 - Represents a reclassification of three positions from Private Development to Community Development in Fiscal Year 2011-12.
- 2 - Functions for Sewer and Parking were moved to Public works in Fiscal Year 2012-13.
- 3 - Functions for Private development were moved to Community development in Fiscal Year 2012-13.
- 4 - Full Time (Contractual Services) for the Animal Shelter employees are not included.

Source: City of Chico, Annual Budgets.

**City of Chico, California
Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Calls for service*	129,790	132,143	132,030	126,577	131,077	135,013	126,669	128,699	129,340	112,423
Arrests*	5,272	4,762	4,965	5,150	4,696	6,243	7,120	9,386	9,280	5,671
Fire										
Service calls answered*	789	827	883	851	969	929	1,026	1,037	1,134	1,312
Medical emergencies*	8,498	8,969	8,919	9,390	9,696	9,537	8,751	8,428	5,365	4,868
Public works										
Street resurfacing (tons of asphalt)	683	1,070	491	1,092	1,196	1,401	550	323	575	627
Community development										
Annexation activity (net acreage)*	16,252	16,252	16,252	16,278	16,280	16,288	16,376	16,385	16,798	17,003
Code violation notices issued	260	355	361	434	441	175	214	120	462	123
Sewer										
Maximum daily treatment capacity (million gallons)	12	12	12	12	12	12	12	12	12	12
Parking										
Parking meter repairs	765	769	1,090	1,366	573	624	819	620	846	830
Private development										
Residential building permits*	117	211	226	242	317	306	401	348	311	335
Commercial building permits*	52	51	64	87	81	88	118	125	33	31
Airport										
Passengers per year (loading/unloading)	41,832	37,813	39,246	16,825	0	0	0	0	0	0

The City of Chico's transit operations transferred over to Butte County Association of Governments (BCAG) July 1, 2005; therefore, the City of Chico has no transit operating indicators from 2006 through the present.

Note: Indicators are not available for general government, parks and recreation, community agencies.

Source: City of Chico departments.

1 - Represents passengers through December 2, 2014. Commercial air service terminated in its

2 - Represents actual letter notices generated and sent. This amount does not reflect the verbal

3 - Number of meter repairs is significantly lower due to transition to smart meters. It is

anticipated to return to normal levels in future years.

4 - New Permit system - data tracked by calendar year.

* These statistics only available on a calendar year basis.

City of Chico, California
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol cars	24	24	24	24	25	25	25	28	33	33
Fire										
Fire stations	6	6	6	6	6	4	4	4	4	4
Fire hydrants*	3,299	3,322	3,357	3,834	3,896	4,030	4,042	4,148	4,136	4,200
Public works										
Street (miles)**	257.9	258.3	289.2	296.3	293.8	300	300.8	303.7	312.2	318.4
Traffic signals	99	99	100	101	102	102	103	103	103	104
Parks and recreation										
Park acreage***	3751.2	3751.2	3679.0	3679.0	3836.0	3836.0	3836.0	3744.0	3744.0	3744.0
Sanitary sewer (miles)	213.4	213.8	214.6	216.2	217.3	219.32	220.33	221.97	226.64	222.62
Storm sewer (miles)	222.4	222.8	223.4	225.6	226.67	228.4	229.33	230.94	235.55	236.27
Parking lots	5	5	5	5	5	5	5	5	5	5
Parking structures	1	1	1	1	1	1	1	1	1	2
Airport										
Runway lengths 13L/31R (feet)	6724	6724	6724	6724	6724	6724	6724	6724	6724	6724
Runway lengths 13R/31L (feet)	3005	3005	3005	3000	3000	3000	3000	3000	3000	3000

The City of Chico's transit operations transferred over to Butte County Association of Governments (BCAG) July 1, 2005; therefore, the City of Chico has no transit Capital Asset indicators from 2006 to present.

Note: Indicators are not available for general government, community development, community agencies, redevelopment, private development and waste management functions.

Source: Various City of Chico departments.

*Data available for calendar year only.

** Based on inventory performed for City's Pavement Management Plan (no longer includes Upper Park Rd graded section) (2016).

***Does not include greenways, open space or preserves.

CITY OF CHICO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2021



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**CITY OF CHICO
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	9



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

To the Honorable Mayor and City Council
City of Chico
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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information 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 City's basic financial statements, and have issued our report thereon dated December 7, 2021.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 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 may exist that have not been identified.

The Honorable Mayor and City Council
City of Chico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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, 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 City'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.



CliftonLarsonAllen LLP

Roseville, California
December 7, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and City Council
City of Chico
Chico, California

Report on Compliance for Each Major Federal Program

We have audited the City of Chico's (the City) 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 City's major federal programs for the year ended June 30, 2021. The City'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 City'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 City'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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, 2021.

Report on Internal Control Over Compliance

Management of the City 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 City'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 City'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.

The Honorable Mayor and City Council
City of Chico

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 7, 2021, that 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 expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Roseville, California
December 7, 2021

CITY OF CHICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass Through to Subrecipients
<u>U.S. Department of Housing and Urban Development:</u>				
Community Development Block Grants (CDBG)	14.218		\$ 718,943	\$ 208,393
Community Development Block Grants (CDBG)	14.218		136,946	116,279
Subtotal CDBG Cluster:			855,889	324,672
HOME Investment Partnerships Program	14.239		152,999	104,049
HOME Investment Partnerships Program	14.239		5,961,556	-
Subtotal CFDA 14.239:			6,114,555	104,049
Total U.S. Department of Housing and Urban Development:			\$ 6,970,444	\$ 428,721
<u>U.S. Economic Development Administration:</u>				
Cohasset Road Widening	11.307	07-79-07584	\$ 30,507	\$ -
<u>U.S. Department of Justice</u>				
Justice Assistance Grant (JAG 19) Program	16.738	2019-DJ-BX-0538	\$ 2,812	\$ 2,238
Justice Assistance Grant (JAG 20) Program	16.738	2020-DJ-BX-0339	42,666	14,401
Subtotal CFDA 16.738:			45,478	16,639
Justice Assistance Grant (JAG COVID) Program	16.034	2020-VD-BX-1540	5,464	-
Total U.S. Department of Justice			\$ 50,942	\$ 16,639
<u>U.S. Department of Transportation:</u>				
Federal Aviation Administration:				
Airport Improvement Program 40	20.106	3-06-0041-040	\$ 1,566,332	\$ -
Airport Improvement Program 42	20.106	3-06-0041-042	1,513,020	-
Subtotal CFDA 20.106:			3,079,352	-
Highway Planning and Construction:				
Congestion Mitigation Air Quality (CMAQ)	20.205	03-BUT-0-CHC/5037 (027)	818,758	-
Congestion Mitigation Air Quality (CMAQ)	20.205	03-BUT-0-CHC/5037 (028)	835,945	-
Congestion Mitigation Air Quality (CMAQ)	20.205	03-BUT-0-CHC/5037 (037)	245,780	-
Walnut Ave (SR32) Road Diet	20.205	03-BUT-0-CHC/HSIFL-5037 (029)	74,893	-
Emergency Vehicle Preemptive System	20.205	03-BUT-0-CHC/HSIFL-5037 (030)	143,915	-
SHR 99/Eaton Rd Interchange	20.205	03-BUT-1-CHC/HSIFL-5037 (035)	74,512	-
Passed through California Department of Transportation:				
Salem Street @ LCC	20.205	BRLO-5037 (022)	188,390	-
Guyonn Rd @ Lindo Channel	20.205	BRLO-5037 (023)	192,364	-
Pomona Rd @ LCC	20.205	BRLO-5037 (024)	133,789	-
Subtotal Highway Planning and Construction Cluster			2,708,346	-
Total U.S. Department of Transportation			\$ 5,787,698	\$ -
<u>U.S. Department of Treasury</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027		\$ 14,514	\$ -
Passed through State of California - EDD				
Coronavirus Relief Fund (CARES Unemployment Reimbursement)	21.019	NA	14,106	-
Passed through State of California Cotrollers Office				
Coronavirus Relief Fund (CARES)	21.019	NA	1,362,210	-
Subtotal CFDA 21.019:			1,376,316	-
Total U.S. Department of Homeland Security			\$ 1,390,830	\$ -
Total Expenditures of Federal Awards			\$ 14,230,421	\$ 445,360

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF CHICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of 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 presents the activity of all federal awards programs of the City of Chico for the year ended June 30, 2021.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 CATALOG OF FEDERAL ASSISTANCE LISTING NUMBERS

The program titles and federal assistance listing numbers were obtained from the federal or pass-through grantor or the 2021 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

NOTE 4 INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE 5 PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the schedule of expenditures of federal awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

CITY OF CHICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 6 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2021 as follows:

Federal Assistance Listing No.	Federal Program	Outstanding Loans June 30, 2021	Loans July 1, 2020	New Loans	Federal Award Expended June 30, 2021
14.239	Home Investment Partnership Program	5,521,983	5,323,003	638,553	5,961,556

**CITY OF CHICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.239 21.019	HOME Investment Partnerships Coronavirus Relief Fund

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? x yes _____ no

CITY OF CHICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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

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 City of Chico as of and for the year ended June 30, 2021, and have issued our report thereon dated December 7, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Chico are described in Note 1 to the financial statements.

As described in Note 1, the City changed accounting policies related to fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in 2021. The City has determined there is no material impact to the financial statements.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

- Management's estimate of the net pension liability and related deferred inflows/outflows of pension resources is based on actuarial valuation reports obtained from CalPERS.
- Management's estimate of the other post-employment benefits (OPEB) liability and related deferred inflows/outflows of pension resources is based on actuarial valuation reports obtained from experts.
- Management's estimate of the claims liability is based on actuarial reports obtained from experts

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2021.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 7, 2021.

With respect to the combining and individual nonmajor fund statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 7, 2021.

The introductory and statistical sections accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

* * *

To the Honorable Mayor and City Council
City of Chico
Page 4

This communication is intended solely for the information and use of the City Council and management of City of Chico and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California

CITY OF CHICO
PASSENGER FACILITY
CHARGES REPORT
YEAR ENDED JUNE 30, 2021



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CITY OF CHICO

**PASSENGER FACILITY
CHARGES REPORT**

YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

AVIATION PASSENGER FACILITIES CHARGES

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF PASSENGER FACILITY CHARGES	1
SCHEDULE OF PASSENGER FACILITY CHARGES	3
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES	4
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGES PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE	5
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULE OF PASSENGER FACILITY CHARGES, REVENUES, AND EXPENSES PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	9



INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF PASSENGER FACILITY CHARGES

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

Report on the Schedule

We have audited the accompanying Schedule of Passenger Facility Charges (Schedule) of the City of Chico (City), for the year ended June 30, 2021, and the related notes.

Management's Responsibility

Management is responsible for the preparation and fair presentation of this schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. 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 requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the schedule 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 Airport'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 schedule.

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


Honorable Mayor and City Council
City of Chico

Opinion on Schedule of Passenger Facility Charges

In our opinion, the Schedule referred to above presents fairly, in all material respects, the passenger facility charges received, held, and used by the City for the period and each quarter during the period from July 1, 2020 through June 30, 2021, as defined by the Federal Aviation Administration of the U.S. Department of Transportation.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2021 on our consideration of the City'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 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.



CliftonLarsonAllen LLP

Roseville, California
December 7, 2021

**CITY OF CHICO
SCHEDULE OF PASSENGER FACILITY CHARGES
YEAR ENDED JUNE 30, 2021**

<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	\$ 7,730	\$ -	\$ 368,955
Total	<u>\$ 361,225</u>	<u>\$ 7,730</u>	<u>\$ -</u>	<u>\$ 368,955</u>

See accompanying Notes to Schedule of Passenger Facility Charges.

CITY OF CHICO
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
JUNE 30, 2021

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.



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

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

Report on Compliance for Passenger Facility Charges

We have audited the compliance of the City of Chico (City) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies (Guide)*, issued by the Federal Aviation Administration, for its Passenger Facility Charge program for the period from July 1, 2020 to June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, the City of Chico complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Passenger Facility Charge program.



In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 City's internal control over compliance.

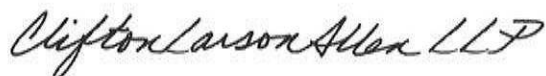
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of the passenger facility charge program 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 a material noncompliance with a type of compliance requirement of the passenger facility charge 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 the passenger facility charge 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

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 Guide. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



CliftonLarsonAllen LLP

Roseville, California
December 7, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULE OF PASSENGER FACILITY CHARGES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Chico
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 Schedule of Passenger Facility Charges (Schedule) of the City of Chico (City), as of and for the year ended June 30, 2021, and the related notes to the financial Schedule and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedule, we considered the City'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 schedule, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedule 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Schedule is 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 Schedule 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*.

City of Chico's Responses to Findings

The City's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 City'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.



CliftonLarsonAllen LLP

Roseville, California
December 7, 2021

CITY OF CHICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

2021 – 001

Type of Finding:

- Significant Deficiency in internal control over Compliance
- Significant Deficiency in internal control over Financial Reporting

Condition: We noted the City was not able to produce the SOAR reports for the 2021 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 2020 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.

CITY OF CHICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

2021 – 002

Type of Finding:

- Significant Deficiency in internal control over Compliance
- Significant Deficiency in internal control over Financial Reporting

Condition: During our testing of the quarterly reporting requirements, we identified that the City did not submit the fiscal year 2021 quarterly reports timely (within the period stated in Section 158.63).

Criteria: Section 158.63 requires that the public agency provide quarterly reports on or before the last day of the calendar month following the calendar quarter or other period agreed by the public agency and collecting carrier.

Context: The conditions noted above were identified during our testing of the quarterly reports. We found that none of the fiscal year 2021 quarterly reports were submitted on or before the last day of the calendar month following the calendar quarter end.

Effect: By not submitting the quarterly reports by the required dates, the City is at risk of noncompliance with section 158.63.

Cause: The City's procedures do not ensure that the quarterly reports are submitted in compliance with Section 158.63 and the City does not have procedures in place to prevent or detect errors on the quarterly report.

Recommendation: This is a repeat finding from the 2020 audit. We recommend that the City ensure that the quarterly reports are submitted timely in accordance with section 158.63. In addition, we recommend the quarterly reports are reviewed by a member of management outside of the preparer prior to submission to the FAA.

Views of responsible officials and planned corrective actions: The City is exploring options to submit reporting annually since there is no activity in the PFC other than interest earnings.

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

Independent Auditors' Report and
Financial Statements

June 30, 2021

CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the City of Chico, California)
June 30, 2021

Table of Contents

	<i>Page(s)</i>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	3
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	4
Notes to Financial Statements	5-14
Supplemental Budgetary Comparisons (Capital Projects Fund) Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Capital Projects Fund.....	16



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the component unit'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 misstatement, whether due to fraud or error.

Auditors' 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. 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 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 opinions.

Board of Directors
Chico Urban Area Joint Powers Financing Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Authority at June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 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.

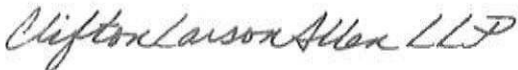
Other Information

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 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental budgetary comparison schedule is the responsibility of management and was derived from and relate 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 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, 2021 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 7, 2021

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, 2021**

	Capital Projects Fund	Adjustments (Note II D)	Statement of Net Position
Assets			
Current assets:			
Restricted cash and investments	\$ 1,516,271	\$ -	\$ 1,516,271
Interest receivable	103,385	-	103,385
Total assets	\$ 1,619,656	\$ -	1,619,656
Liabilities			
Noncurrent liabilities:			
Loans payable	\$ -	23,059,478	23,059,478
Total non-current liabilities	-	23,059,478	23,059,478
Total liabilities	-	23,059,478	23,059,478
Fund Balance/Net Position			
Fund balances:			
Restricted for sewer projects	1,619,656	(1,619,656)	
Total Liabilities and Fund Balance	\$ 1,619,656		
Net Position:			
Unrestricted		(21,439,822)	(21,439,822)
Total net position (deficit)		\$ (21,439,822)	\$ (21,439,822)

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, 2021**

	Capital Projects Fund	Adjustments (Note II D)	Statement of Activities
Expenditures:			
Administrative expenses	\$ 39,804	\$ -	\$ 39,804
Construction expenses	8,394,728	(8,394,728)	-
Conveyance of capital assets	-	8,394,728	8,394,728
Total expenditures/expenses	8,434,532	-	8,434,532
Program revenues:			
Intergovernmental revenue	1,900,000	(1,900,000)	-
Capital grants and contributions	-	1,900,000	1,900,000
Total program revenues	1,900,000	-	1,900,000
Net program (expense) revenue	(6,534,532)	-	(6,534,532)
General revenues:			
Investment earnings	59,016	-	59,016
Total general revenues	59,016	-	59,016
Excess (deficiency) of revenues over expenditures	(6,475,516)	-	(6,475,516)
Change in fund balance/net position	(6,475,516)	-	(6,475,516)
Fund balance/net position (deficit):			
Beginning of the year	8,095,172	(23,059,478)	(14,964,306)
End of the year	\$ 1,619,656	\$ (23,059,478)	\$ (21,439,822)

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, 2021

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, 2021

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 can create 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, 2021

II. DETAILED NOTES (Continued)

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 ACRFR 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, 2021 equity in pooled cash and investments is \$ 1,516,271.

B. CONSTRUCTION EXPENDITURES

During the current period, the JPFA constructed sewer related infrastructure totaling \$8,394,728. The infrastructure is annually conveyed to the City of Chico's Sewer Enterprise Fund.

C. 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 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, 2021, \$20,900,000 has been received by the JPFA from the Redevelopment Agency and Successor Agency to the Redevelopment Agency.

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

E.	Total governmental fund balance	\$1,619,656
	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>(23,059,478)</u>
	Net position of governmental activities	<u><u>\$(21,439,822)</u></u>

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

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, 2021

II. DETAILED NOTES (Continued)

Net change in fund balances - total governmental fund	<u>\$(6,475,516)</u>
Change in net position of governmental activities	<u><u>\$(6,475,516)</u></u>

F. 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, 2021, construction draws on the loan were \$23,059,478, while the local match totals \$3,843,323. No payments are due on the loan until project completion, currently estimated in fiscal year 2020-21. 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, 2021 were as follows:

	<u>July 1, 2020</u>	<u>June 30, 2021</u>
Loans Payable:		
State Revolving Fund Loan	<u>\$23,059,478</u>	<u>\$23,059,478</u>

Total accumulated accreted interest as of June 30, 2021 was \$3,843,323.

G. RISK MANAGEMENT

The JPFA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; pollution; and natural disasters. The JPFA participates in the City insurance programs to insure against these losses. Additional information on the City's risk management program can be found in the notes to the City's financial statements.

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance Final Budget
	Original	Final		
Expenditures:				
Administrative	\$ 39,804	\$ 39,804	\$ 39,804	\$ -
Construction	2,582,997	2,582,997	8,394,728	(5,811,731)
Total expenditures	<u>2,622,801</u>	<u>2,622,801</u>	<u>8,434,532</u>	<u>(5,811,731)</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	(722,801)	(722,801)	(6,534,532)	(5,811,731)
General revenues:				
Investment earnings	<u>200,000</u>	<u>60,000</u>	<u>59,016</u>	<u>(984)</u>
Excess (deficiency) of revenues over expenditures	(522,801)	(662,801)	(6,475,516)	(5,812,715)
Fund balance:				
Beginning of the year	<u>7,572,371</u>	<u>7,572,371</u>	<u>8,095,172</u>	<u>-</u>
End of the year	<u>\$ 7,049,570</u>	<u>\$ 6,909,570</u>	<u>\$ 1,619,656</u>	<u>\$</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 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, 2021, 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 7, 2021.

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 may exist that have not been identified.

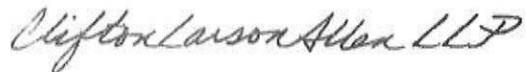
Compliance and Other Matters

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, 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*.

Board of Directors
Chico Urban Area Joint Powers Financing Authority

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 7, 2021



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Council Members
City of Chico, California

We have performed the procedures enumerated below on the Appropriations Limit calculation of the City of Chico as of and for the year ended June 30, 2021. The City of Chico management is responsible for the Appropriations Limit calculation.

The City of Chico has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of presenting the Appropriation Limit calculation in accordance with the requirements of Section 1.5 of Article XIII-B of the California Constitution and Proposition 111. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. Obtain the completed Appropriations Limit calculation and compared the limit and annual adjustment factors in the calculation to the limit and annual adjustment factors that were adopted by resolution of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. Compute current year adjustments based on selected population and inflation options, using information provided by the State Department of Finance.

Finding: No exceptions were noted as a result of our procedures.

3. Compare the prior year appropriations limit presented in the Appropriations Limit Calculation to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

4. Add the results of step two (2) to the prior year Appropriations Limit and compare the resulting amount to the current year approved limit.

Finding: No exceptions were noted as a result of our procedures.

Honorable Mayor and Council Members
City of Chico, California

We were engaged by the City of Chico to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Appropriations Limit calculation of the City of Chico. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City of Chico and management of the City of Chico and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CliftonLarsonAllen LLP

Roseville, California
August 3, 2021



Finance Committee Agenda Report

Meeting Date: 12/22/21

TO: Finance Committee
FROM: Barbara Martin, Deputy Director - Finance
RE: Budget Modification Approval/Authority Review

REPORT IN BRIEF:

The goal of the budget approval process is to establish the programs, projects, personnel, and funding levels for the coming fiscal year. Industry-wide, the common authority level of city councils/governing bodies is at the Fund level. We recommend a variation of this concept moving forward.

Recommendation: Consider change from category level approval to Fund level by Department approval for budget modifications.

FISCAL IMPACT: N/A

DISCUSSION:

Currently, the City Council must approve all budget modifications at the category level that are above certain limits as outlined in Budget Policy D.1.f. This process provides expenditure controls but also requires less efficient operations under some circumstances. This new concept acknowledges the need to keep ultimate appropriation approval at the City Council level while providing the day-to-day operation flexibility needed within the City departments. Along with moving the approval level to Department within a Fund, the following parameters would be in place. Any changes that include the following would be presented to City Council for approval:

- New Programs
- New Personnel (Any change to the B Appendices in the budget)
- New Capital Projects
- Budget modifications from capital to non-capital and vice versa
- Any appropriations affecting Fund balance

The ultimate goal is to streamline processes so that departmental operations can continue efficiently while maintaining transparency and providing City Council members with the information and decision-making abilities they desire.

Submitted by:


Barbara Martin, Deputy Director - Finance

Reviewed and Approved by:


Scott Dowell, Administrative Services Director

Approved by:


Mark Orme, City Manager