

**CHICO AREA RECREATION
AND PARK DISTRICT**
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021

* * *



Chavan & Associates, LLP
Certified Public Accountants
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Chico Area Recreation and Park District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Chico Area Recreation and Park District
Chico, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Chico Area Recreation and Park District (the "District"), as of and for the years ended June 30, 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 District'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 District'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 business-type activities of the Chico Area Recreation and Park District, as of June 30, 2021, and the respective changes in financial position and 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, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the District'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 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 internal control over financial reporting or on compliance. That report is an



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integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

December 2, 2021
Morgan Hill, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

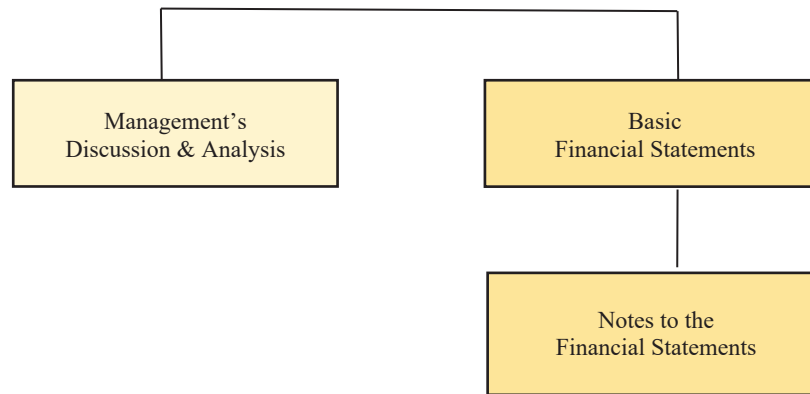
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INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual issues or concerns, and (5) provide descriptions of significant asset and liability activity.

This information, presented in conjunction with the Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FISCAL YEAR 2021 FINANCIAL HIGHLIGHTS

- Total net position increased by \$4,333,766 from the last fiscal year.
- The District's assets exceeded its liabilities by \$34,166,791, excluding deferred inflows and outflows of resources. Assets and deferred outflows of resources totaled \$39,900,607 and liabilities and deferred inflows of resources were \$4,684,304.
- Net position consisted of \$26,036,175 classified as net investment in capital assets; \$2,674,371 as restricted; and \$6,505,757 as unrestricted net position.
- Total revenues were \$12,125,815 which consisted of operating revenues totaling \$6,221,322 and nonoperating revenues totaling \$5,904,493.
- Total District operating expenses were \$7,792,049.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the Management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain the information in the financial statements in more detail.

THE BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District's accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Fund Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position. This statement reflects the result of the District's operations over the past year as well as non-operating revenues and expenses.

The final required Financial Statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operational, capital and investing activities. It also provides answers to questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information, other than the MD&A, follows the Notes and includes pension schedules and other postemployment benefit schedules.

SUPPLEMENTARY INFORMATION

Combining and individual fund statements are included to provide additional information of the proprietary funds that constitute the District's basic financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET POSITION

The following table summarized the District's ending net position:

Table 1 - Net Position				
	2021	2020	Dollar Change	Percent Change
Assets				
Current and other assets	12,427,297	8,574,534	\$ 3,852,763	44.9%
Capital assets - net	26,036,175	25,271,132	765,043	3.0%
Total Assets	\$ 38,463,472	\$ 33,845,666	\$ 4,617,806	13.6%
Deferred Outflows of Resources				
	1,437,135	1,197,908	\$ 239,227	20.0%
Liabilities				
Current and other liabilities	1,392,651	1,075,692	\$ 316,959	29.5%
Noncurrent liabilities	2,904,030	2,561,739	342,291	13.4%
Total Liabilities	\$ 4,296,681	\$ 3,637,431	\$ 659,250	18.1%
Deferred Inflows of Resources				
	387,623	523,606	\$ (135,983)	-26.0%
Net Position				
Net investment in capital assets	\$ 26,036,175	\$ 25,271,132	\$ 765,043	3.0%
Restricted	2,674,371	361,600	2,312,771	639.6%
Unrestricted	6,505,757	5,249,805	1,255,952	23.9%
Total Net Position	\$ 35,216,303	\$ 30,882,537	\$ 4,333,766	14.0%

As of June 30, 2021, the largest portion of the Authority's total net position was the net investment in capital assets, which increased by \$765,043, mostly because of capital projects that increased construction in progress by \$1,574,113, net of depreciation totaling \$836,777.

Noncurrent liabilities increased by \$42,291 primarily due to an increase in the net pension liability of \$336,723.

Table 2 below summarizes the District's changes in net position for the year.

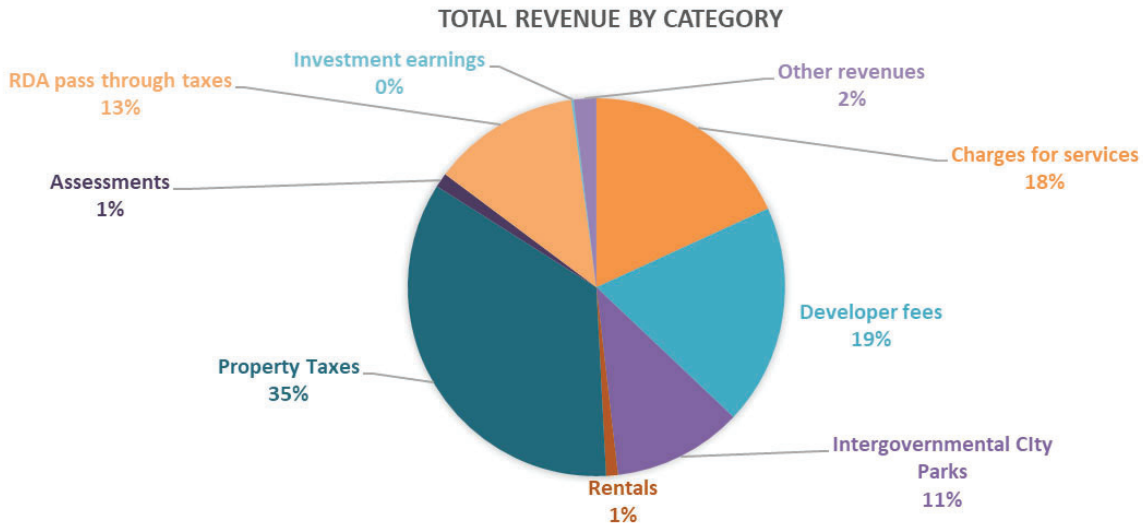
Table 2 - Statement of Changes in Net Position				
Functions/Programs	2021	2020	Dollar Change	Percent Change
Operating Revenues				
Charges for services	2,211,492	3,018,753	\$ (807,261)	-26.74%
Developer fees	2,299,627	64,125	2,235,502	3486.16%
Intergovernmental City Parks	1,352,714	18,438	1,334,276	7236.55%
Rentals	122,113	238,590	(116,477)	-48.82%
Other revenues	235,376	218,799	16,577	7.58%
Total Operating Revenues	6,221,322	3,558,705	2,662,617	74.82%
Operating Expenses				
Salaries and benefits	4,849,402	6,155,834	(1,306,432)	-21.22%
Services and supplies	2,096,572	2,219,879	(123,307)	-5.55%
Contributions to other agencies	9,298	17,430	(8,132)	-46.66%
Depreciation and amortization	836,777	858,608	(21,831)	-2.54%
Total Operating Expenses	7,792,049	9,251,751	(1,459,702)	-15.78%
Operating Income (Loss)	(1,570,727)	(5,693,046)	4,122,319	72.41%
Nonoperating Revenues (Expenses)				
Property Taxes	4,234,631	3,983,095	251,536	6.32%
Assessments	150,710	148,003	2,707	1.83%
RDA pass through taxes	1,542,243	1,451,384	90,859	6.26%
Investment earnings	(23,091)	215,665	(238,756)	-110.71%
Total Nonoperating Revenues (Expenses)	5,904,493	5,798,147	106,346	1.83%
Increase / (Decrease) in Net Position	4,333,766	105,101	4,228,665	4023.43%
Prior Period Adjustments	-	(267,291)	267,291	100.00%
Net Position, Beginning of Year	30,882,537	31,044,727	(162,190)	-0.52%
Net Position, End of Year	\$ 35,216,303	\$ 30,882,537	\$ 4,333,766	14.03%

The Statement of Revenues, Expenses and Changes in Fund Net Position reflects the District's operating and non-operating revenues and expenses. Total revenues increased and total expenses decreased over prior year because of the following:

- Total operating revenues increased by \$2,662,617 (74.82%). This was mainly the result of community park impact fees from the City of Chico reported as developer fees totaling \$2,230,752.
- Total nonoperating revenues increased by \$106,346 (1.83%). This was mainly the result of an increase in property tax revenue totaling \$251,536.
- Investment earnings declined by \$238,756 (110.71%) mostly due to declines in the market value of pooled cash held by the County.
- Total operating expenses decreased by \$1,459,702 (15.78%). This was mainly related to budget cuts made in relation to the COVID-19 pandemic which is mostly reflected in the decrease to salaries and benefits of \$1,306,432 (21.22%)

Revenues

The following chart summarizes the changes in revenues by category during 2020/21:

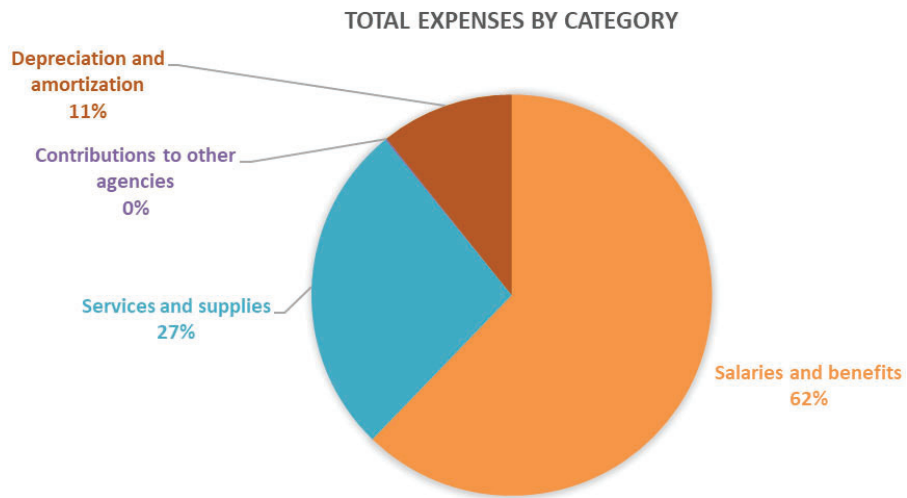


Significant changes in revenues consisted of the following:

- Charges for Services decreased by \$807,261 (26.74%) most of which was related to a decline in activities during the COVID 19 pandemic.
- Taxes increased by \$251,536 (6.32%) from increases in property values.
- RDA pass through taxes increased by \$90,859 (6.26%) because the assessment values for redevelopment properties increased.
- Developer fees increased mainly as a result of new community park impact fees from the City of Chico totaling \$2,230,752.

Expenses

The following chart summarizes the changes in expenses by function during 2020/21:



Significant changes in expenses consisted of the following:

- Salaries and benefits expenses decreased by \$1,306,432 (21.22%) mostly because of budget cuts made in relation to the COVID-19 pandemic.
- Services and supplies expenses decreased by \$123,307 (5.81%) mostly because of budget cuts made in relation to the COVID-19 pandemic offset by merchant fees charged in relation to revenue collections and deposits.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

A summary of the changes in net position by sub-fund is presented below:

Table 3 - Summary of Changes in Net Positions							
	General Fund	Baroni Park	Oak Way Park	Peterson Park	Park Developmen	Community Park Impact	Total
Total Revenues	\$ 9,662,940	\$ 85,430	\$ 23,043	\$ 42,455	\$ 68,332	\$ 2,243,609	\$ 12,125,809
Total Expenditures	7,549,801	84,380	88,439	69,422	-	-	7,792,042
Revenues Over							
(Under) Expenditures	2,113,139	1,050	(65,396)	(26,967)	68,332	2,243,609	4,333,767
Transfers In	-	-	65,321	26,828	-	-	92,149
Transfers Out	(92,149)	-	-	-	-	-	(92,149)
Change in Net Position	2,020,990	1,050	(75)	(139)	68,332	2,243,609	4,333,767
Prior Period Adjustment	267,291	-	-	-	-	-	267,291
Beginning Net Position	30,763,880	69,063	161	263	211,360	-	31,044,727
Ending Net Position	<u>\$33,052,161</u>	<u>\$ 70,113</u>	<u>\$ 86</u>	<u>\$ 124</u>	<u>\$ 279,692</u>	<u>\$ 2,243,609</u>	<u>\$ 35,645,785</u>

CAPITAL ASSETS

The following table summarizes the District’s capital assets at the end of the year:

Table 4 - Capital Assets, Net of Depreciation					
	2021	2020	Dollar Change	% Change	
Land	\$ 11,634,791	\$ 11,634,790	\$ 1.0	0.00%	
Construction in progress	1,619,827	45,714	1,574,113	3443.39%	
Leasehold Improvements	275,960	302,472	(26,512)	-8.77%	
Structures and improvements	12,399,271	13,158,767	(759,496)	-5.77%	
Parks and Recreation equipment	89,443	113,050	(23,607)	-20.88%	
Vehicles	16,883	16,339	544	3.33%	
Total Capital Assets, Net	<u>\$ 26,036,175</u>	<u>\$ 25,836,812</u>	<u>\$ 765,043</u>	2.96%	

Additional detail and information on capital asset activity is described in the note 3 to the financial statements.

LONG-TERM LIABILITIES

The following table summarizes the District’s liabilities at the end of the year:

Table 5 - Long-Term Liabilities				
	Governmental Activities			
	2021	2020	Dollar Change	% Change
Net Pension Liability	2,673,147	2,336,424	336,723	14.41%
Compensated Absences	230,883	225,315	5,568	2.47%
Total Long-Term Liabilities	<u>\$ 2,904,030</u>	<u>\$ 2,561,739</u>	<u>\$ 342,291</u>	13.36%

Additional detail and information on long-term debt activity is described in the note 4 to the financial statements.

ECONOMIC FACTORS AND OUTLOOK

The general economy of Butte County, California has begun to recover from the impacts of COVID-19. The unemployment rate for Butte County was 7.3%, and 11.6%, respectively, at June 2021 and June 2020. The District has approved a balanced budget for the 2021-2022 year. Throughout the Covid-19 pandemic, management has continued to carefully monitor district finances while responding quickly to the guidelines from Public Health and other Federal, State and Local directives. The District also continues to focus on providing quality recreation programs and well-maintained parks to the Chico community. The costs of these programs are consistently monitored to provide reasonably priced services to the community.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please the General Manger, Chico Recreation and Park District, 545 Vallombosa Avenue, Chico, CA 95926.

BASIC FINANCIAL STATEMENTS

Chico Area Recreation and Park District

Statement of Net Position

June 30, 2021

ASSETS

Current assets:

Cash and investments	\$ 12,188,752
Accounts receivable	199,856
Prepaid expenses	38,689
Total current assets	<u>12,427,297</u>
Capital assets - net	<u>26,036,175</u>
Total assets	<u><u>\$ 38,463,472</u></u>

DEFERRED OUTFLOWS OF RESOURCES

Pension adjustments	<u><u>\$ 1,437,135</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 326,838
Accrued payroll and liabilities	246,040
Program advances	819,773
Total current liabilities	<u>1,392,651</u>

Noncurrent liabilities:

Compensated absences	230,883
Net pension liability	2,673,147
Total noncurrent liabilities	<u>2,904,030</u>
Total liabilities	<u><u>\$ 4,296,681</u></u>

DEFERRED INFLOWS OF RESOURCES

Pension adjustments	<u><u>\$ 387,623</u></u>
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NET POSITION

Net investment in capital assets	\$ 26,036,175
Restricted	2,674,371
Unrestricted	6,505,757
Total net position	<u><u>\$ 35,216,303</u></u>

See accompanying notes to basic financial statements.

Chico Area Recreation and Park District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

Operating revenues:	
Program service fees	\$ 2,211,492
Developer fees	2,299,627
Intergovernmental City Parks	1,352,714
Rentals	122,113
Other revenue	235,376
Total operating revenues	<u>6,221,322</u>
Operating expenses:	
Salaries and benefits	4,849,402
Services and supplies	2,096,572
Contributions to other agencies	9,298
Depreciation and amortization	836,777
Total operating expenses	<u>7,792,049</u>
Operating income (loss)	<u>(1,570,727)</u>
Nonoperating revenues (expenses):	
Interest income	(23,091)
Assessment fees	150,710
Property taxes	4,234,631
RDA pass through taxes	1,542,243
Net non-operating revenues (expenses)	<u>5,904,493</u>
Change in net position	4,333,766
Net position - beginning	<u>30,882,537</u>
Net position - ending	<u>\$ 35,216,303</u>

See accompanying notes to basic financial statements.

Chico Area Recreation and Park District

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,409,479
Receipts from other governments	3,652,341
Other Receipts	357,489
Payments to suppliers	(1,876,734)
Payments to employees	(5,065,378)
Other Payments	(9,298)
Net cash provided by (used for) operating activities	<u>(532,101)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	<u>(1,601,820)</u>
Net cash provided by (used for) capital and related financing activities	<u>(1,601,820)</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Receipts from assessments	150,710
Receipts from taxes	4,234,631
Receipts from RDA pass through taxes	<u>1,542,243</u>
Net cash provided by (used for) noncapital and related financing activities	<u>5,927,584</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>3,253</u>
Net cash provided by (used for) investing activities	<u>3,253</u>

Net increase (decrease) in cash and cash equivalents 3,796,916

Cash and cash equivalents at beginning of fiscal year 8,391,836
Cash and cash equivalents at end of fiscal year \$ 12,188,752

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating income (loss)	\$ (1,570,727)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	836,777
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(43,502)
(Increase) decrease in prepaid expenses	(38,689)
(Increase) decrease in deferred outflows of resources	(239,227)
Increase (decrease) in accounts payable	258,534
Increase (decrease) in accrued payroll and liabilities	(183,064)
Increase (decrease) in program advances	241,489
Increase(decrease) in compensated absences	5,568
Increase(decrease) in deferred inflows of resources	(135,983)
Increase(decrease) in net pension liability	336,723
Net cash provided by (used for) operations	<u>\$ (532,101)</u>

See accompanying notes to basic financial statements.

Chico Area Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Chico Area Recreation and Park District (the District) is a political subdivision of the state of California and provides recreation services to the residents of the Chico area of Butte county. The District was formed under section 5708-5791 of the Public Resources Code, Article V and is governed by a five-member Board of Directors elected by the voters of the District. A salaried general manager administrates the operation of the District in accordance with policies adopted be the Board of Directors.

Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does not have a separately elected governing body and does not meet the definition of a component unit. The District meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Component units are defined as legally separate organizations for which the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. Since no other entities are controlled by, or rely upon the District, the reporting entity consists solely of the District. Based on these criteria, there are no component units to include in the District's financial statements.

The activities of the District include three recreational facility park sub-funds and a park development sub-fund with the balance accounted for in the general operating fund. However, all funds and sub-funds are reported as one fund in the financial statements with separate sub-fund information reported as supplementary information.

Basis of Presentation

Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position display information about the District. Business-type activities are financed in whole or in part by fees charged to external parties.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as interest income and connection fees, result from non-exchange transactions or ancillary activities.

Chico Area Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2021

Measurement Focus and Basis of Accounting

Enterprise funds are accounted for on the flow of economic resources measurement focus utilizing full accrual accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unavailable resources.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply.

The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Deferred Outflows/Deferred Inflows

In addition to assets, the Statement of Net Position includes 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 as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources

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related to the recognition of the District's benefit plans liability reported which is in the Statement of Net Position.

Statement of Net Position

Net position is measured on the full accrual basis and is the excess of all the District's assets and deferred outflows of resources over all its liabilities. Net position is classified into the following components:

Net Investment in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

Restricted Net Position

Restricted net position describes the portion of net position which is restricted as to use by the terms and conditions of agreement with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. It is the District's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District has reported restricted net position of \$78,578 for assets held for *Baroni Park*. These funds are restricted for the park maintenance assessment districts administered by the District. The District has also reported restricted net position of \$2,595,793 for developer fees collected. These funds are collected from park impact fees and used for new park acquisitions and improvements.

Unrestricted Net Position

This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges for services. Operating expenses for the District include the cost of services and supplies, administrative expenses such as salaries and benefits, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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Budgetary Control

The District's fiscal year is the 12-month period beginning July 1. The general budget policy is that the District submit to the Butte County Auditor a board-approved budget estimating revenue and expenditures for the subsequent fiscal year prior to June 30. The final budget is legally enacted by a board resolution on or before August 10 after necessary adjustments, if any, have been made. Withing certain legal restrictions, adjustments to final budget amounts may be made by the Board of Directors during the year to account for unanticipated occurrences.

Cash and investments

Cash includes amounts in demand deposits as well as highly liquid short-term investments. The District's cash and cash equivalents include demand deposits in a financial institution serves as a clearing account into which the District makes daily deposits and then transfers to the County pool on at least a monthly basis.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for Deposits and Investment Risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components; overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

The District maintains most of its cash in the County as part of a common investment pool. Deposits in the pool are valued using the cost approach and includes accrued interest. Information regarding the amount of dollars invested in derivatives with the County was not available. The pool is subject to regulatory oversight by the Treasury Oversight Committee. The District is considered to be a voluntary participant in the County investment pool.

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Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less and amounts categorized as “Cash in County Treasury” are considered cash equivalents. Cash and cash equivalents include demand deposits in a financial institution and deposits in the Butte County Treasury (the County).

Receivables and payables

Trade accounts receivable (including unbilled receivables) are carried at their net realizable values.

Capital assets

Capital assets are reported at historical cost, or in the case of donated items, at fair market value on the date donated. The District’s capitalization policy includes all items with a unit cost of \$3,000 or more. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful lives are 10 to 30 years for structures, improvements, and leasehold improvements, and 3 to 5 years for equipment.

Program Advances

Activity fees paid prior to the utilization of the service are recorded as program advances and are effectively unearned revenues.

Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium and discounts are reported as noncurrent assets along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

Compensated Absences

The District’s policy allows employees to accumulate vacation leave up to the employee’s annual vacation accrual and to accumulate all unused sick leave hours. Upon retirement or separation from the District, the employee is entitled to full compensation for unused vacation. Employees with over five years of service credit and sick leave accruals of over 100 hours to up to 260 hours of accrued sick time at the date of separation. The amount due within one year could not be estimated. Costs for compensated absences are accrued when earned by employees. Accumulated unpaid employee benefits are recognized as a liability in the General Fund at the end of the year.

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 District’s California Public Employees’ Retirement System (CalPERS) plan (the Plan) and additions

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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. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2019. For this report, the following timeframes are used for the District's pension plans:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

Use of Estimates

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

Property Taxes

Property Taxes are levied by Butte County on the District's behalf and are intended to support operations and service debt. Secured property taxes attach as an enforceable lien on property as of March 1st. the amount of property tax received is dependent upon the assessed real property valuations as determined by the Butte County Assessor. Property taxes on the secured roll are due in two equal installments on November 1st and February 1st each year and are delinquent if not paid by December 10th and April 10th, of each year, respectively. The District received approximately 48% of its revenue from property taxes. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

Implementation of New Accounting and Reporting Changes

GASB Statement No. 84, "Fiduciary Activities." Issued in January 2017, this statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. The statement is effective beginning fiscal year 2021. The District does not meet the fiduciary criteria by classifying activities related to pension and other postemployment benefits as fiduciary and did not report any activities as custodial funds.

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Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 87, "Leases." Issued in June 2017, this statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It provides guidance on accounting treatment of lease assets, lease liability, short-term leases, certain regulated leases, measurement for leases other than short-term leases and contracts that transfer ownership, subleases, lease-leaseback transactions, intra-entity leases, and leases between related parties. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 91, "Conduit Debt Obligations." Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 92, "Omnibus 2020." Issued in January 2020, this statement was issued for clarity and consistency by addressing practice issues identified from the implementation and application of certain GASB statements. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 93, "Replacement of Interbank Offered Rates." Issued in March 2020, this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements." Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023.

GASB 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." Issued in June 2020, the statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (e.g., certain Section 457 plans),

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while mitigating the costs associated with reporting those plans. The statement will be effective beginning fiscal year 2022.

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

As of June 30, 2021, the District had the following cash and investments:

<u>Cash and Investments</u>	<u>2021</u>
County Treasury	\$ 9,721,215
Cash in banks	2,466,737
Cash on hand	<u>800</u>
Total Cash and Investments	<u>\$ 12,188,752</u>

Cash Deposits

As of June 30, 2021 the carrying amount of the District’s cash in banks was \$2,466,737 and the bank balance of the District’s accounts with banks was \$2,463,835, which was \$2,213,835 in excess of Federal Depository Insurance Corporation (FDIC) coverage. FDIC covers up to \$250,000 per bank for each entity. Investments are made by diversified investment managers/brokers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the District believes that its investment strategies are prudent for the long-term welfare of the organization.

The District’s cash and investments are pooled with the County of Butte. The County’s cash and investment pool is under the oversight of the County and is not rated. For additional information regarding the pooled cash and investments with respect to the risks identified above, please refer to the County of Butte’s Annual Comprehensive Financial Report (ACFR).

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Investments in the County Treasury Investment Pool are not measured using the input levels above because the District’s transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

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Collateral and Categorization Requirements

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of at least 150% of the District's total deposits.

Investment Policy

The District's investment policy follows the California Government Code which authorizes the District to invest in its own bonds, certain time deposits, obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances with maturities not to exceed 270 days, and medium-term notes issued by corporations operating within the U.S., commercial paper rated P-1 or higher by Moody's or A-1 by Standard & Poor's commercial paper record, repurchase agreements of obligations of the U.S. Government or its agencies for a term of one year or less and the Local Agency Investment Fund.

The funds pooled with the County are invested in accordance with the County's investment policy established pursuant to state law. All monies not required for immediate expenditure are deposited or invested to earn maximum yield consistent with safety and liquidity.

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

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 of its fair value to the changes in market interest rates. All of the District's cash is held in pooled accounts that mature in one year.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. With respect to investments, custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The State of California has no additional requirements for custodial credit risk, nor does the District.

Custodial Credit Risk

Custodial credit risk for deposit is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits nor will it be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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The California Government Code and the District'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: 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 a depository regulated under state law (unless so waived by the governmental unit).

Concentration of Credit Risk

The District's cash and investment funds are pooled with the County of Butte. The investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. The District is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by the District in securities of issuers other than U. S. Treasury securities, mutual funds, and external investment pools. At June 30, 2021, there were no investments representing five percent or more from any one issuer.

NOTE 3 - CAPITAL ASSETS

The District's capital assets consisted of the following as of June 30, 2021:

Governmental activities	Balance July 01, 2020	Additions	Adjustments & Retirements	Balance June 30, 2021
Nondepreciable Capital Assets:				
Land	\$ 11,634,790	\$ -	\$ 1	\$ 11,634,791
Construction in progress	45,714	1,574,114	(1)	1,619,827
Total nondepreciable capital assets	11,680,504	1,574,114	-	13,254,618
Depreciable capital assets:				
Leasehold Improvements	1,098,162	-	1	1,098,163
Structures and improvements	25,665,065	-	(1)	25,665,064
Parks and Recreation Equipment	1,033,827	16,706	-	1,050,533
Office Equipment	276,499	-	-	276,499
Vehicles	388,661	11,000	(1)	399,660
Total depreciable capital assets	28,462,214	27,706	(1)	28,489,919
Less accumulated depreciation:				
Leasehold Improvements	795,690	26,513	-	822,203
Structures and improvements	12,506,298	759,496	(1)	13,265,793
Parks and Recreation Equipment	920,777	40,313	-	961,090
Office Equipment	276,499	-	-	276,499
Vehicles	372,322	10,455	-	382,777
Total accumulated depreciation	14,871,586	836,777	(1)	15,708,362
Total depreciable capital assets - net	13,590,628	(809,071)	-	12,781,557
Capital assets - net	\$ 25,271,132	\$ 765,043	\$ -	\$ 26,036,175

Depreciation expense for the year ended June 30, 2021 was \$836,777.

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NOTE 4 - LONG-TERM LIABILITIES

The District's long-term liabilities consisted of the following as of June 30, 2021

Description	Balance			Balance June 30, 2021	Due Within One Year
	June 30, 2020	Additions	Reductions		
Compensated Absences	225,315	\$ 174,554	\$ 168,986	\$ 230,883	\$ 173,162
Net Pension Liability	2,336,424	1,685,918	1,349,195	2,673,147	-
Total Long-term liabilities	<u>\$ 2,561,739</u>	<u>\$ 1,860,472</u>	<u>\$ 1,518,181</u>	<u>\$ 2,904,030</u>	<u>\$ 173,162</u>

NOTE 5 - OPERATING LEASES

The District leases copier equipment and a postage machine. Minimum future rental payments under noncancelable operating leases with remaining terms in excess of one year as of June 30, 2021:

Year Ending June 30	Amount
2022	\$ 19,087
2023	1,512
Total Minimum Future Rental Expense	<u>\$ 20,599</u>

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risk of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In an effort to manage its risk exposure, The District is a member of the Special District Risk Management Authority ("SDRMA"). A summary of the coverage limits are as follows:

General liability - bodily injury	\$ 10,000,000
General liability - property damage	10,000,000
Public officials' errors and omissions	10,000,000
Personal liability coverage for members of the Board of Directors	500,000
Employment practices liability	10,000,000
Employee benefits liability	10,000,000
Employee dishonesty coverage	1,000,000
Auto liability - bodily injury	10,000,000
Auto liability - property damage	10,000,000
Uninsured motorist - bodily injury	1,000,000
Uninsured motorist- property damage	10,000
Boiler and machinery coverage	100,000,000
Pollution coverage	2,000,000
Cybersecurity	2,000,000
Property including fire, theft, and flood	1,000,000,000
Mobile and contractors equipment	1,000,000,000
Workers' compensation	5,000,000

SDRMA is a risk-pooling self-insurance authority created for the purpose of arranging and administering programs of insurance for the pooling of self-insured losses and to purchase excess

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insurance coverage. As a member of the SDRMA, the District participated in the general liability, auto liability, property, boiler and machinery coverage, and public officials’ errors and omissions insurance programs.

The District has a \$500 deductible under general liability, a \$500 deductible for personal liability coverage for members of the Board of Directors, and a \$1,000 deductible under auto liability. There were no accrued losses for insurance claims as of June 30, 2021. There were no settlements that exceeded insurance coverage for fiscal year ended June 30, 2021.

Condensed financial information for SDRMA for the fiscal year ended June 30, 2020 is as follows:

	<u>June 30, 2020</u>
Total Assets and Deferred Outflows	\$ 131,272,470
Total Liabilities and Deferred Inflows	70,329,836
Total Equity	60,942,634
Total Revenues	82,177,782
Total Expenditures	77,599,711

NOTE 7 - EMPLOYEE RETIREMENT BENEFITS

General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service 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. Members with five years of total service are eligible to retire at age 55 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 the Plan are applied as specified by the Public Employees’ Retirement Law.

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

	<u>Miscellaneous</u>	
	<u>Tier 1</u>	<u>PEPRA</u>
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly ben. as a % of eligible comp.	2.00%	2.00%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	11.031%	7.732%

Employees Covered - At June 30, 2021, the following employees were covered by the benefit terms for the Plan at the valuation date of June 30, 2020:

	<u>Miscellaneous</u>
Active	58
Transferred	40
Separated	85
Retired	48
Total	<u>231</u>

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions were \$767,955 during the fiscal year.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability totaling \$2,673,147.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.02280%
Proportion - June 30, 2021	0.02457%
Change - Increase/(Decrease)	<u>0.00177%</u>

For the year ended June 30, 2021, the District recognized pension expense of \$729,468. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ 19,066
Differences between Expected and Actual Experience	137,755	-
Differences between Projected and Actual Investment Earnings	79,410	-
Differences between Employer's Contributions and Proportionate Share of Contributions	291,171	125,662
Change in Employer's Proportion	160,844	242,895
Pension Contributions Made Subsequent to Measurement Date	767,955	-
Total	<u>\$ 1,437,135</u>	<u>\$ 387,623</u>

The District reported \$767,955, as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability during the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ 78,718
2023	101,191
2024	63,561
2025	38,087
2026	-
Thereafter	-
Total	<u>\$ 281,557</u>

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Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate 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, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

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Notes to the Basic Financial Statements
June 30, 2021

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount

Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the 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>
1% Decrease	6.15%
Net Pension Liability \$	4,685,663
Current	7.15%
Net Pension Liability \$	2,673,146
1% Increase	8.15%
Net Pension Liability \$	1,010,267

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Chico Area Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2021

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated all subsequent events from the statement of financial position date of June 30, 2021, through the date the financial statements were available to be issued, December 2, 2021. Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). While the future impact of the CV19 Crisis cannot be reasonably estimated, management believes the District has sufficient reserves to withstand the potential negative impact CV19 may have on the economy and will continue to monitor the District's operating budget to account for CV19 declines.

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REQUIRED SUPPLEMENTARY INFORMATION

Chico Area Parks and Recreation District
Schedule of Contributions for Pension Plans
June 30, 2021

Miscellaneous Plan							
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contributions	\$ 220,825	\$ 224,228	\$ 229,225	\$ 346,326	\$ 383,106	\$ 400,876	\$ 587,955
Contributions in Relation to Contractually Required Contributions	220,825	224,228	229,225	346,326	1,111,353	400,876	767,955
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (728,247)	\$ -	\$ (180,000)
Covered Payroll	\$2,154,908	\$ 2,354,799	\$ 2,255,959	\$ 2,347,917	\$ 2,491,890	\$ 2,602,267	\$ 2,481,040
Contributions as a % of Covered Payroll	10.25%	9.52%	10.16%	14.75%	44.60%	15.40%	30.95%

Notes to Schedule:

Valuation Date: June 30, 2019
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Chico Area Parks and Recreation District
Schedule of Proportionate Share of Net Pension Liability
June 30, 2021

Miscellaneous Plan Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021
Proportion of Net Pension Liability (Safety and Misc)	0.027333%	0.02562%	0.02749%	0.02862%	0.02131%	0.02280%	0.02457%
Proportion of Net Pension Liability (Misc Plan Only)	0.06881%	0.06409%	0.06847%	0.07201%	0.05448%	0.05834%	0.06337%
Proportionate Share of Net Pension Liability	\$ 1,700,721	\$ 1,758,201	\$ 2,378,682	\$ 2,838,733	\$ 2,053,235	\$ 2,336,424	\$ 2,673,146
Covered Payroll	\$ 2,297,052	\$ 2,154,908	\$ 2,354,799	\$ 2,255,959	\$ 2,347,917	\$ 2,491,890	\$ 2,602,267
Proportionate Share of NPL as a % of Covered Payroll	74.04%	81.59%	101.01%	125.83%	87.45%	93.76%	102.72%
Plan's Fiduciary Net Position as a % of the TPL	81.15%	83.49%	78.20%	77.07%	79.03%	83.69%	82.32%

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

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SUPPLEMENTAL INFORMATION

Chico Area Recreation and Park District

Combining Statement of Net Position

June 30, 2021

	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Community Park Impact Fees	2021
ASSETS							
Current assets:							
Cash and investments	\$ 9,542,881	\$ 78,578	\$ -	\$ -	\$ 323,684	\$ 2,243,609	\$ 12,188,752
Accounts receivable	171,356	-	-	-	28,500	-	199,856
Prepaid expenses	38,689	-	-	-	-	-	38,689
Total current assets	9,752,926	78,578	-	-	352,184	2,243,609	12,427,297
Capital assets - net	26,036,175	-	-	-	-	-	26,036,175
Total assets	<u>\$ 35,789,101</u>	<u>\$ 78,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,184</u>	<u>\$ 2,243,609</u>	<u>\$ 38,463,472</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pension adjustments	<u>\$ 1,437,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,437,135</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 326,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,838
Accrued payroll and liabilities	246,040	-	-	-	-	-	246,040
Program advances	819,773	-	-	-	-	-	819,773
Total current liabilities	1,392,651	-	-	-	-	-	1,392,651
Noncurrent liabilities:							
Compensated absences	230,883	-	-	-	-	-	230,883
Net pension liability	2,673,147	-	-	-	-	-	2,673,147
Total noncurrent liabilities	2,904,030	-	-	-	-	-	2,904,030
Total liabilities	<u>\$ 4,296,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,296,681</u>
DEFERRED INFLOWS OF RESOURCES							
Pension adjustments	<u>\$ 387,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,623</u>
NET POSITION							
Net investment in capital assets	\$ 26,036,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,036,175
Restricted	-	78,578	-	-	352,184	2,243,609	2,674,371
Unrestricted	6,505,757	-	-	-	-	-	6,505,757
Total net position	<u>\$ 32,541,932</u>	<u>\$ 78,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,184</u>	<u>\$ 2,243,609</u>	<u>\$ 35,216,303</u>

Chico Area Recreation and Park District

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2021

	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Community Park Impact Fees	2021
Operating revenues:							
Program service fees	\$ 2,211,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,211,492
Developer fees	-	-	-	-	68,875	2,230,752	2,299,627
Intergovernmental City Parks	1,352,714	-	-	-	-	-	1,352,714
Rentals	122,113	-	-	-	-	-	122,113
Other revenue	235,376	-	-	-	-	-	235,376
Total operating revenues	3,921,695	-	-	-	68,875	2,230,752	6,221,322
Operating expenses:							
Salaries and benefits	4,681,098	63,691	63,690	40,923	-	-	4,849,402
Services and supplies	2,022,628	20,692	24,751	28,501	-	-	2,096,572
Contributions to other agencies	9,298	-	-	-	-	-	9,298
Depreciation and amortization	836,777	-	-	-	-	-	836,777
Total operating expenses	7,549,801	84,383	88,441	69,424	-	-	7,792,049
Operating income (loss)	(3,628,106)	(84,383)	(88,441)	(69,424)	68,875	2,230,752	(1,570,727)
Nonoperating revenues (expenses):							
Interest income	(35,624)	(10)	81	147	(542)	12,857	(23,091)
Assessment fees	-	85,440	22,962	42,308	-	-	150,710
Property taxes	4,234,631	-	-	-	-	-	4,234,631
RDA pass through taxes	1,542,243	-	-	-	-	-	1,542,243
Net nonoperating revenues (expenses)	5,741,250	85,430	23,043	42,455	(542)	12,857	5,904,493
Income before capital contributions	2,113,144	1,047	(65,398)	(26,969)	68,333	2,243,609	4,333,766
Capital contributions	-	-	-	-	-	-	-
Income (loss) before operating transfers	2,113,144	1,047	(65,398)	(26,969)	68,333	2,243,609	4,333,766
Transfers in	-	-	65,321	26,828	-	-	92,149
Transfers out	(92,149)	-	-	-	-	-	(92,149)
Change in net position	2,020,995	1,047	(77)	(141)	68,333	2,243,609	4,333,766
Net position - beginning	30,520,937	77,531	77	141	283,851	-	30,882,537
Net position - ending	\$ 32,541,932	\$ 78,578	\$ -	\$ -	\$ 352,184	\$ 2,243,609	\$ 35,216,303

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OTHER INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
of the Chico Area Recreation and Park District
Chico, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Chico Area Recreation and Park District (the “District”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’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 statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 District'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 determination of financial statement 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*.

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

C & A LLP

December 2, 2021
Morgan Hill, California