

# **CITY OF CHICO**

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**Chico, California**



## **Comprehensive Annual Financial Report**

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**Year Ended June 30, 2007**

**CITY OF CHICO**

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**CHICO, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2007**

**Prepared by**

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**Chico Finance Department**

**CITY OF CHICO, CALIFORNIA**  
June 30, 2007

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## FINANCE OFFICE

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P.O. Box 3420 Fax (530) 895-4656  
Chico, CA 95927 <http://www.ci.chico.ca.us>

November 9, 2007

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 Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. The Finance Office publishes the CAFR 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 are 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 hired 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. Nystrom & Company, 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, 2007, received an unqualified opinion in the independent auditor's report (which is presented as the first component of the financial section of this report).

The City is also required to provide an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-133, "Audits of State and Local Governments." Information related to this single audit is included in a separately issued 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. By 2007, the incorporated area of the City of Chico has grown to 32.8 square miles, with a population of 84,396.

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.

With its “Big City Taste, Small Town Flavor,”<sup>1</sup> 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.

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 downtown business district. A municipal airport and industrial park are situated in northern Chico, and City-sponsored art can be found scattered throughout our scenic community.

The City is governed by a charter and operates under a Council-Manager form of government. The City Council consists of seven members, 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 Tuesday of each month. The City Council appoints a City Manager to implement its policies and directives 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; arts programs; municipal airport; and general administrative services.

The City Council also governs the Chico Redevelopment Agency, the Chico Public Financing Authority and the Chico Parking Authority. Each of these agencies is reported as blended component units in the attached financial statements. In addition, two members of the City Council serve on the board of the newly formed Chico Urban Area Joint Powers Financing Authority, which provides services exclusively to the City and thus is reported as a blended component unit as well.

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 biennial 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, with the Council adopting the comprehensive operating and capital budget no later than its first regular meeting in July.

## **Chico’s Economic Condition**

### ***Local Economy***<sup>2</sup>

A key component of the City’s economic growth has been the availability of reasonably priced industrial and commercial property. New construction valuation was at an all-time high in 2004. While residential construction has declined since 2004 due to the nationwide slowing of the housing market, commercial construction has increased 40 percent since 2004.

The City of Chico’s population has increased by 55 percent in the last decade. This increasing population has sparked a sharp growth in retail sales. The growth in retail sales is also a result of Chico becoming a regional service center for the surrounding area. The long-term demographic trends indicate continued strong retail growth.

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<sup>1</sup> Chico Chamber of Commerce, [www.chicochamber.com](http://www.chicochamber.com)

<sup>2</sup> Center for Economic Development, California State University, Chico; “2007 Butte County Economic & Demographic Profile Series”.

In 2006, a total of 95%, or 97,600 members, of Butte County's labor force were employed. This represents a 3.6 percent increase from the preceding year. Employment in Butte County is expected to continue rising in upcoming years, with a projected total of 122,326 in 2015. In 2007 the unemployment rate for the County was 4.9 percent, down from 6.1 percent the year before. Butte County's industry employers include services; government and public administration; retail trade; finance, insurance and real estate; transportation and utilities; agriculture; construction; manufacturing; wholesale trade and tourism. Services accounted for the largest portion of employment in Butte County, at 43 percent, in 2006. Another 18.3 percent of businesses in the county were retail trade companies, and 8.6 percent were finance, insurance, and real estate companies.

### ***Long-term Financial Planning***

The City of Chico implemented a Biennial Budget in 2006. It includes financial projections for all funds for fiscal years 2006-07 and 2007-08, and the first draft 10-year financial plan for the General and Park Funds. These projections summarize the revenue and expenditures for each fund, providing Council with the tools to make sound fiscal decisions. The Budget also includes a 10- year Capital Improvement Program (CIP), which summarizes all major capital improvement projects scheduled to occur over the ensuing ten-year period.

Beginning in fiscal year 2008-09, the City Council will be presented with 10-year financial projections for all funds, as part of the biennial budget. Long-range financial planning assists policy makers in assuring that today's decisions can be supported over the long term.

### ***Relevant Financial Policies***

The City Council has adopted a number of financial 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 two fiscal years 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 would be available to be allocated for unanticipated expenditures that occur during the fiscal year.
- **Emergency Reserve** – An Emergency Reserve Fund has been established to help buffer the City from issues such as fluctuation in sales tax, changes in State laws as to how the sales tax is allocated, changes in motor vehicle in lieu reimbursement from the State, a sudden draw through employee attrition on vacation payment obligations, or other catastrophic events. The desired level of this fund is established at 20 percent of the General Fund operating expenditures. Following the close of books each year, the Finance Director, at the discretion of the City Manager, is authorized to transfer funds in an amount equal to 20 percent of the amount in excess of the General Fund Operating Reserve to the Emergency Reserve Fund. At the discretion of the City Manager, an amount greater than 20 percent can be transferred provided such amount does not exceed the difference between the actual fund balance and the desired Operating Reserve.
- **Replacement Funds** – The City is expanding the number of replacement funds to include a Technology Replacement Fund to accumulate funds for the replacement of technological equipment. Annual contributions are made from the funds owning such equipment, based on the estimated cost to replace the equipment at the end of its useful life. The City also maintains 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.

### ***Major Initiatives***

The City Council continues to dedicate its resources to a wide variety of projects designed to improve the infrastructure, economic development, and overall quality of life for the citizens of Chico. Examples of major projects include the expansion of the Water Pollution Control Plant to 12 million gallons per day, the reconstruction of many of the City's major roadways including; East Avenue, East Eighth Street, Cohasset Road, and East Fifth Avenue. In addition, the City will complete the construction of a new Transit Center and Fire Station No. 6.

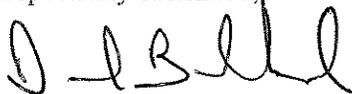
### **Awards and Acknowledgements**

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 Comprehensive Annual Financial Report for the fiscal years ended June 30, 2006. This was the fourth 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 report is the result of the cooperative effort of many people. We wish to convey our appreciation to the members of the Finance Office team who contributed to and assisted with its successful completion. In particular, Accounting Manager Uldis Vidners and Accountant Frank Fields were responsible for the preparation of this report and are to be commended for their efforts. 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,

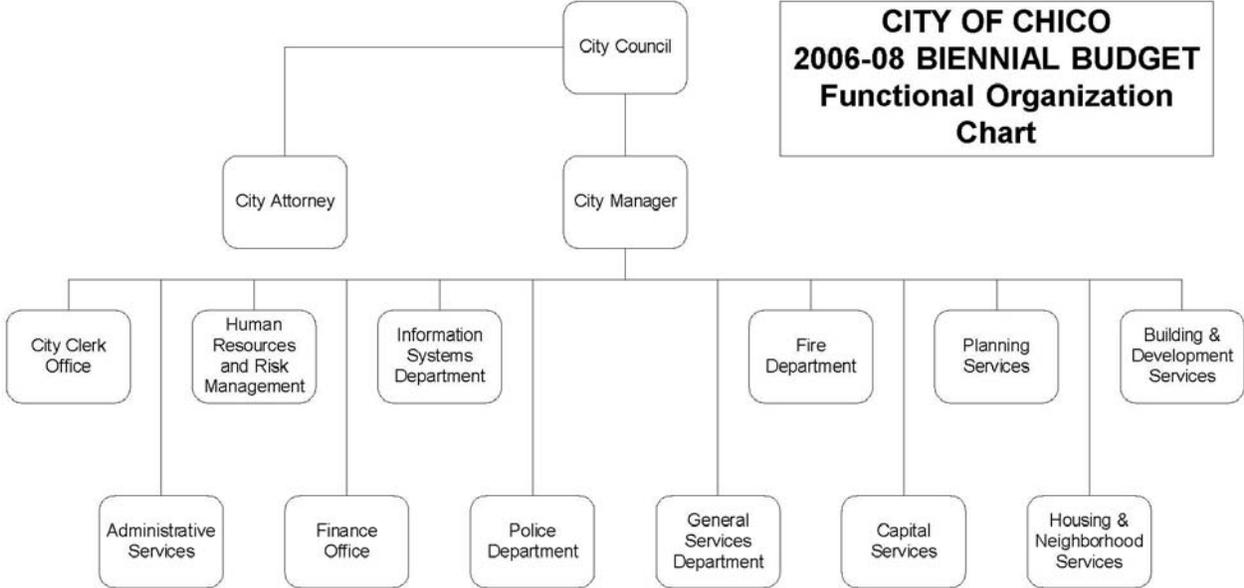


David Burkland  
Interim City Manager



Jennifer Hennessy  
Finance Director

**CITY OF CHICO  
2006-08 BIENNIAL BUDGET  
Functional Organization  
Chart**



# DIRECTORY OF CITY OFFICIALS

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*Andy Holcombe, Mayor*

*Ann Schwab, Vice Mayor*

*Steve Bertagna, Councilmember*

*Tom Nickell, Councilmember*

*Mary Flynn, Councilmember*

*Larry Wahl, Councilmember*

*Scott Gruendl, Councilmember*

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*Greg Jones  
City Manager*

*Dave Burkland  
Assistant City Manager*

*David Frank  
City Attorney*

*Cindy Pierce  
Administrative Services Director*

*Debbie Presson  
City Clerk*

*Bruce Hagerty  
Chief of Police*

*Steve Brown  
Fire Chief*

*Lynn McEnespy  
Information Systems Director*

*Jennifer Hennessy  
Finance Director*

*Tom Varga  
Capital Project Services Director*

*Dennis Beardsley  
General Services Director*

*Dan Fulks  
Director-Human Resources  
& Risk Management*

*Sherry Morgado  
Housing & Neighborhood  
Services Director*

*Stephen Peterson  
Planning Services Director*

*Fritz McKinley  
Building/Development  
Services Director*

# 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, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Chico, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chico, California, as of and for the year ended June 30, 2007, which collectively comprise the City of Chico's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chico's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the City of Chico, California, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Housing Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2007, on our consideration of the City of Chico'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and Schedule of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

*Nystrom & Company LLP*

November 28, 2007

## 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, 2007. 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-iv of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of fiscal year 2007 by \$341,557,503. Of this amount, \$261,518,041 is invested in capital assets, net of related debt; \$62,403,864 is restricted for specific purposes; and \$17,635,598 is unrestricted. Unrestricted net assets are considered to be the amount available to meet the ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$24,444,895 over the prior fiscal year.
- As of June 30, 2007, the City's governmental funds reported combined fund balances of \$134,521,238 a decrease of \$9,988,268 from the prior year. Approximately 65% of the combined fund balances, or \$87,029,080 is available to meet the City's current and future needs.
- At the end of the fiscal year, unreserved fund balance in the General Fund was \$10,595,401, or 23% of total General Fund expenditures. Of this, \$5,568,152 is designated as an emergency reserve.
- The City's total long-term debt decreased \$2,142,671 from the prior year. The decrease is due primarily to scheduled debt repayments.

### 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 assets presents information on all City assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 earned but unused vacation leave).

## Management's Discussion and Analysis (Continued)

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, community agencies and redevelopment. The business-type activities of the City include the sewer, parking, private development and airport.

Component units are included in our basic financial statements and consist of legally separate entities for which the City is financially accountable. The City has four component units – Chico Redevelopment Agency, Chico Public Financing Authority, Chico Parking Authority and the Chico Urban Area Joint Powers Financing Authority. Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 and No. 39, the Chico Redevelopment Agency, Chico Public Financing Authority and the Chico Parking Authority are blended into the City's basic financial statements, as the governing bodies are substantially the same as the governing body of the City. The Chico Urban Area Joint Powers Financing Authority provides services exclusively to the City and thus is reported as a blended component unit.

Complete financial statements of the Chico Public Financing Authority, the Redevelopment Agency and 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 95927.

**The government-wide financial statements can be found on pages 14-15 of this report.**

**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 funds 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 maintains seventeen individual governmental funds. 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, housing, public facilities impact fees, capital grants, and the Redevelopment Agency funds. 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* elsewhere in this report.

**The governmental funds financial statements can be found on pages 16-21 of this report**

## Management's Discussion and Analysis (Continued)

*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, and information services functions. Because these services benefit both governmental and business-type functions, they have been included within both *governmental and business-type activities* in the government-wide financial statements. The City's four 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.

**The proprietary funds financial statements can be found on pages 22-25 of 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.

**The fiduciary fund financial statement can be found on page 26 of this report.**

**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. The notes can be found on pages 27-49 of this report.

**Required Supplementary Information** is presented in addition to the basic financial statements and accompanying notes. The schedule of funding progress related to the City's participation in the California Public Employees' Retirement System is presented as required supplementary information.

**Required supplementary information can be found on page 50 of this report.**

**Other Information** includes the *combining and individual fund statements and schedules* referred to earlier, which provide information for nonmajor governmental funds, enterprise, and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 51-76 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$341,557,503 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$261,518,041 or 76%, 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 (Continued)

### Statement of Net Assets June 30, 2007 and June 30, 2006

	Governmental		Business-type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2007	2006	2007	2006	2007	2006	Change	Change
Current and other assets	\$159,657,910	\$168,549,837	\$ 5,099,755	\$ 4,582,890	\$164,757,665	\$173,132,727	\$ (8,375,062)	-5%
Capital assets	269,838,785	241,662,502	77,610,003	74,145,739	347,448,788	315,808,241	31,640,547	10%
Total assets	<u>429,496,695</u>	<u>410,212,339</u>	<u>82,709,758</u>	<u>78,728,629</u>	<u>512,206,453</u>	<u>488,940,968</u>	<u>23,265,485</u>	<u>5%</u>
Current and other liabilities	13,986,816	12,947,034	1,482,962	1,559,483	15,469,778	14,506,517	963,261	7%
Long-term liabilities	146,161,832	147,890,810	9,017,340	9,431,033	155,179,172	157,321,843	(2,142,671)	-1%
Total liabilities	<u>160,148,648</u>	<u>160,837,844</u>	<u>10,500,302</u>	<u>10,990,516</u>	<u>170,648,950</u>	<u>171,828,360</u>	<u>(1,179,410)</u>	<u>-1%</u>
Net assets:								
Invested in capital assets, net of related debt	192,458,719	174,426,815	69,059,322	65,141,172	261,518,041	239,567,987	21,950,054	9%
Restricted net assets	62,167,955	59,257,320	235,909	234,841	62,403,864	59,492,161	2,911,703	5%
Unrestricted net assets	14,721,373	15,690,360	2,914,225	2,362,100	17,635,598	18,052,460	(416,862)	-2%
Total net assets	<u>\$269,348,047</u>	<u>\$249,374,495</u>	<u>\$72,209,456</u>	<u>\$67,738,113</u>	<u>\$341,557,503</u>	<u>\$317,112,608</u>	<u>\$ 24,444,895</u>	<u>8%</u>

Another portion of the City's net assets, \$62,403,864 or approximately 17%, represents the City's *restricted net assets*, which are subject to external restrictions on how they may be used.

The remaining balance of \$17,635,598 (6%) represents *unrestricted net assets*, which may be used to meet the City's ongoing obligations to citizens and creditors.

The government's net assets increased by \$24,444,895 during the current fiscal year. The majority of the increase, \$16,580,920, is due to addition of infrastructure assets acquired through annexation activity and donation from developers completing subdivisions.

## Management's Discussion and Analysis (Continued)

The following table indicates the changes in net assets for governmental and business-type activities:

### Statement of Activities For the Years Ended June 30, 2007 and 2006

	Governmental		Business-type		Total		Total	
	Activities		Activities				Dollar	Percent
	2007	2006	2007	2006	2007	2006	Change	Change
<b>Program revenues:</b>								
Charges for services	\$ 10,685,875	\$ 12,194,828	\$ 13,711,414	\$ 13,122,213	\$ 24,397,289	\$ 25,317,041	\$ (919,752)	-4%
Operating grants and contributions	8,879,544	7,493,231	-	-	8,879,544	7,493,231	1,386,313	19%
Capital grants and contributions	20,655,350	38,301,177	2,023,066	1,904,988	22,678,416	40,206,165	(17,527,749)	-44%
<b>General revenues:</b>								
Taxes	64,227,888	57,266,506	-	-	64,227,888	57,266,506	6,961,382	12%
Grants and contributions not restricted to specific programs	1,200,912	472,473	-	-	1,200,912	472,473	728,439	154%
Unrestricted investment earnings	6,190,406	3,637,361	149,624	100,402	6,340,030	3,737,763	2,602,267	70%
Miscellaneous	245,017	211,476	-	-	245,017	211,476	33,541	16%
Gain on sale of capital assets	362,850	801,623	-	-	362,850	801,623	(438,773)	-55%
<b>Total revenues</b>	<b>112,447,842</b>	<b>120,378,675</b>	<b>15,884,104</b>	<b>15,127,603</b>	<b>128,331,946</b>	<b>135,506,278</b>	<b>(7,174,332)</b>	<b>-5%</b>
<b>Expenses:</b>								
General government	5,542,888	4,704,056	-	-	5,542,888	4,704,056	838,832	18%
Public safety	34,653,773	30,015,541	-	-	34,653,773	30,015,541	4,638,232	15%
Public works	16,055,042	12,299,791	-	-	16,055,042	12,299,791	3,755,251	31%
Parks and recreation	3,097,522	3,161,007	-	-	3,097,522	3,161,007	(63,485)	-2%
Community development	5,939,641	3,754,134	-	-	5,939,641	3,754,134	2,185,507	58%
Community agencies	813,742	625,501	-	-	813,742	625,501	188,241	30%
Redevelopment	17,641,681	15,069,220	-	-	17,641,681	15,069,220	2,572,461	17%
Interest on long-term debt	6,408,780	5,288,377	-	-	6,408,780	5,288,377	1,120,403	21%
Sewer	-	-	7,274,509	6,674,476	7,274,509	6,674,476	600,033	9%
Parking	-	-	847,190	897,142	847,190	897,142	(49,952)	-6%
Private development	-	-	4,490,359	4,919,853	4,490,359	4,919,853	(429,494)	-9%
Airport	-	-	1,079,615	972,213	1,079,615	972,213	107,402	11%
Transit	-	-	39,978	2,855,122	39,978	2,855,122	(2,815,144)	-99%
Household hazardous materials	-	-	2,331	2,478	2,331	2,478	(147)	-6%
<b>Total expenses</b>	<b>90,153,069</b>	<b>74,917,627</b>	<b>13,733,982</b>	<b>16,321,284</b>	<b>103,887,051</b>	<b>91,238,911</b>	<b>12,648,140</b>	<b>14%</b>
Excess before transfers	22,294,773	45,461,048	2,150,122	(1,193,681)	24,444,895	44,267,367	(19,822,472)	-45%
Transfers	(2,321,221)	(4,635,990)	2,321,221	4,635,990	-	-	-	-
<b>Change in net assets</b>	<b>19,973,552</b>	<b>40,825,058</b>	<b>4,471,343</b>	<b>3,442,309</b>	<b>24,444,895</b>	<b>44,267,367</b>	<b>(19,822,472)</b>	<b>-45%</b>
Net assets – July 1, 2006	249,374,495	208,549,437	67,738,113	64,295,804	317,112,608	272,845,241	44,267,367	16%
<b>Net assets – June 30, 2007</b>	<b>\$ 269,348,047</b>	<b>\$ 249,374,495</b>	<b>\$ 72,209,456</b>	<b>\$ 67,738,113</b>	<b>\$ 341,557,503</b>	<b>\$ 317,112,608</b>	<b>\$ 24,444,895</b>	<b>8%</b>

**Governmental Activities.** Governmental activities increased the City's net assets by \$19,973,552 or 82% of the total growth in net assets. Governmental activities revenues exceeded expenses by \$22,294,773. Transfers accounted for a \$2,321,221 decrease in net assets.

**Revenues.** Total revenues for the governmental activities decreased 7% from the prior year

- Charges for services decreased 12% from the prior year primarily as a result of a 32% (\$2,830,000) decrease in development impact fees collected due to decreased commercial and multiple family residential construction as compared to the prior year. The overall decrease was mitigated by a 53% (\$293,000) increase in Community Maintenance District fees and \$606,000 of revenue in the Internal Service Funds for charges to external agencies.

## Management's Discussion and Analysis (Continued)

- Operating grants and contributions increased 19% from the prior year due to increased reimbursement for mutual aid fire protection, increased housing grants, and increased transit development act funds. Operating grants and contributions fluctuate each year as they are subject to external funding sources.
- The majority of the capital grants and contributions are a result of contributed infrastructure assets from annexations as well as infrastructure from developers completing subdivisions. With subdivision activity slowing due to the housing market and with the majority of annexations completed, revenue declined by approximately \$15,100,000 from the prior year.
- Taxes increased primarily due to property taxes which were up 12% over the prior year due to an approximate 12% increase in assessed valuations and no Education Revenue Augmentation Fund (EFAF) shift in fiscal 2006-07. In addition, Utility Users' Tax increased approximately 5% and Transient Occupancy Tax increased approximately 13% over the prior year.
- Grants and contributions not restricted to other programs increased 154% over the prior year due to approximately \$722,000 received for city annexations included in state motor vehicle license fees as mandated by Revenue and Taxation Code 11005(d).
- Unrestricted investment earnings increased 70% over the prior year due mainly to a full year on interest earnings on bond proceeds as well as higher yields on existing investments.

**Expenses.** Total expenses for the governmental activities increased 20% over the prior year.

- Public Safety expenses increased 15% (\$4,638,232) over the prior year due primarily to the addition of both police and fire personnel and salary related costs.
- The \$3,755,251 increase in public works expenses is primarily due to increased road maintenance work and increased depreciation as a result of added infrastructure assets.
- Community development expenses increased 58% (\$2,185,507) due to the City's contribution to the Chico Area Recreation and Park District for the first phase of construction of DeGarmo Park.
- Redevelopment expenses increased mainly as a proportional share of the increase in tax increment revenues was passed-through to other agencies per existing agreements.
- Interest on long-term debt increased due to a full year of interest payments and accrued interest on the 2005 Tax Allocation Bonds while the prior year expense reflected only a partial amount based on the debt issuance date.

**Business-type Activities.** Business-type activities increased the City's net assets by \$4,471,343 or 18% of the total growth in net assets. Business-type activities revenues exceeded expenses by \$2,150,122 while transfers increased net assets by \$2,321,221

- Transfers from the general government in the form of capital assets constructed by capital projects funds increased net assets by \$4,569,000, predominantly in the Sewer and Airport Funds. Capital contributions in the form of infrastructure added \$2,023,065 to the net assets of the Sewer Fund.

## Management's Discussion and Analysis (Continued)

The operations of individual enterprise funds are discussed more thoroughly in the Proprietary Funds section on page 10.

### 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, capital projects, and debt service 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The current year change in fund balances is presented in the following table:

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

	Major Funds				
	General Fund	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency
Revenues	\$ 41,316,200	\$ 1,928,196	\$ 6,895,576	\$ 4,397,260	\$ 31,294,432
Expenditures	46,273,177	1,443,566	9,894,033	2,714,337	32,561,500
Other financing sources (uses), net	5,292,936	-	(44,080)	-	(7,404,449)
Change in fund balances	335,959	484,630	(3,042,537)	1,682,923	(8,671,517)
Fund balances (deficits), July 1, 2006	10,383,830	2,238,720	17,339,460	(3,081,265)	92,560,431
Fund balances (deficits), June 30, 2007	<u>\$ 10,719,789</u>	<u>\$ 2,723,350</u>	<u>\$ 14,296,923</u>	<u>\$ (1,398,342)</u>	<u>\$ 83,888,914</u>

	Nonmajor Funds			
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Revenues	\$ 7,516,622	\$ 1,916,674	\$ 414,389	\$ 95,679,349
Expenditures	4,847,125	2,481,848	7,720,416	107,936,002
Other financing sources (uses), net	(3,376,156)	422,570	7,377,564	2,268,385
Change in fund balances	(706,659)	(142,604)	71,537	(9,988,268)
Fund balances, July 1, 2006	6,052,489	10,336,879	8,678,962	144,509,506
Fund balances, June 30, 2007	<u>\$ 5,345,830</u>	<u>\$ 10,194,275</u>	<u>\$ 8,750,499</u>	<u>\$ 134,521,238</u>

At June 30, 2007, the City's governmental funds reported combined fund balances of \$134,521,238, a decrease of \$9,988,268 from the prior year. Approximately 65% of this total amount, \$87,029,080, is available for spending for the City's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$9,928,987), 2) to pay debt service (\$14,111,042), 3) to reflect loans receivable that are long-term in nature and thus do not represent available spendable resources (\$22,298,827), or 4) for other restricted purposes (\$1,153,302).

Revenues for governmental funds overall totaled \$95,679,349, an increase of \$9,513,537 (11%) over the prior fiscal year, and expenditures for governmental funds totaled \$107,936,002, an increase of \$18,889,338 (21%). In the current fiscal year, expenditures for governmental funds exceeded revenues by \$12,256,653 or 12%.

## Management's Discussion and Analysis (Continued)

The General Fund is the chief operating fund of the City. At June 30, 2007, unreserved fund balance of the General Fund was \$10,595,401 (with \$5,568,152 of that balance designated for emergencies) while total fund balance reached \$10,719,789. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.9% of total fund expenditures, while total fund balance represents 23.2% of that same amount.

The fund balance of the City's General Fund increased by 3% during the fiscal year. Revenues increased by approximately 9% with increases in most categories with the exception of sales tax which decreased by approximately \$300,000 (2%). Expenditures increased 12%, outpacing revenues. Expenditures increased in most categories due mainly to increased personnel costs with the largest change in public safety (\$3,467,794). Additional police personnel were hired and overtime increased to meet the service demands of a growing community.

Revenues in the Housing Fund exceeded expenditures by \$484,630. The excess of revenues over expenditures was the result of reimbursements received for costs incurred during the prior year.

The Public Facilities Impact Fees Fund revenues decreased by approximately \$2.7 million or 28% to return to 2004-05 levels. 2005-06 saw increased fees due a rise in commercial and multiple family residential construction. The slowdown in the housing market is also responsible for decreased revenue in this fund. Expenditures in the fund increased by approximately \$3.5 million from the prior year as development related infrastructure projects are in progress. The major projects were the completion of phase one of DeGarmo Park and pre-construction costs for the Water Pollution Control Plant Expansion.

Revenues in the Capital Grants Fund exceeded expenditures by approximately \$1.7 million. The excess of revenues over expenditures was the result of reimbursements received in the current year for which projects costs were incurred during the prior year.

Property tax increment revenues increased by \$4.9 million over the prior year due to a 12% increase in the Agency's assessed valuation and no Education Revenue Augmentation Fund (ERAF) shift in fiscal 2006-07. Investment earnings increased \$2.0 million primarily due to a full year of additional cash on hand as a result of the issuance of the 2005 Tax Allocation Bonds. Major expenditures for the period included approximately \$11.7 million for various street re-construction projects, significant work was done on Mangrove Avenue and in the Manzanita Avenue corridor.

**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 enterprise funds for the current fiscal year:

	Sewer	Parking	Private Development	Airport	Nonmajor Enterprise	Total
Operating revenues	\$ 7,669,109	\$ 1,079,238	\$ 4,047,549	\$ 505,049	\$ -	\$ 13,300,945
Operating expenses	7,129,530	695,329	4,516,220	1,081,303	2,389	13,424,771
Operating income (loss)	539,579	383,909	(468,671)	(576,254)	(2,389)	(123,826)
Nonoperating revenues (expenses), net	17,679	263,148	(110,716)	64,623	(32,225)	202,509
Income (loss) before contributions and transfers	557,258	647,057	(579,387)	(511,631)	(34,614)	78,683
Contributions and transfers	3,493,684	(113,654)	(282,116)	1,696,639	(450,266)	4,344,287
Change in net assets	<u>\$ 4,050,942</u>	<u>\$ 533,403</u>	<u>\$ (861,503)</u>	<u>\$ 1,185,008</u>	<u>\$ (484,880)</u>	<u>\$ 4,422,970</u>

## Management's Discussion and Analysis (Continued)

- Sewer Fund revenues and expenditures increased roughly 10% respectively. The increases are due to an increasing customer base as the City grows and an annual CPI fee increase.
- Parking Fund revenues sufficiently covered operating expenses, including interest on outstanding debt, and meets the Debt Service Coverage Ratio required by the Indenture of Trust relating to the 1994 Parking Revenue Bonds. One time non-operating revenue of \$335,000 was received from California State University, Chico as a result of abandoning parking meters to make way for university expansion.
- The Private Development Fund currently shows a decline in net assets due to the combination of insufficient fees combined with the fiscal constraints on the General Fund's ability to subsidize this fund. While the City Council recently approved increased fees for development services, the fees are still not sufficient to recover the full cost of providing these services. For this reason, staff will be conducting a comprehensive fee study and workflow analysis to develop a cost recovery strategy to present to the City Council in the coming fiscal year.
- The Airport Fund revenues continue to grow as a result of increased flight activity from an additional daily flight, however expenses continue to outpace revenues. Depreciation on grant funded assets accounts for a major portion of the operating loss. Operational changes have been undertaken and a ten-year plan has been developed to move the fund into the black. Capital contributions included expansion of the fire station and the completion of the airfield apron reconstruction project that began in the prior year.
- The non-major enterprise funds consist of Transit and Household Hazardous Materials. Transit operations were transferred the Butte County Association of Governments (BCAG) effective July 1, 2005. During the current year the remaining rolling stock was transferred to BCAG and the remaining other assets transferred to the City. The Household Hazardous Materials fund will be closed in fiscal 2007-08 as that function has been assumed by the County.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the major governmental funds is presented as part of the basic financial statements, beginning on page 20 of 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 discovered during the fiscal year. The differences between the original budget and the final amended budget for the general fund were not significant. Total estimated revenues increased approximately \$1.4 million or 2.8% due to higher revenues in most areas except Sales and Use Taxes which actually declined by \$0.9 million. Total appropriations increased approximately \$0.5 million or 1.0% due to increases in the property tax administration fees charged by the County and outside legal counsel.

Actual general fund revenue received came within 0.1% of the final amended budget, with slight negative variances in taxes offset by positive variances in other revenues. Total expenditures were \$1.1 million below the final amended budget, due primarily to cost containment measures.

## Management's Discussion and Analysis (Continued)

### 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, 2007, amounted to \$347,448,788 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current period was approximately 10%.

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

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2007	2006	2007	2006	2007	2006	
Land	\$ 29,165,270	\$ 28,219,076	\$ 2,154,341	\$ 2,154,341	\$ 31,319,611	\$ 30,373,417	3%
Buildings	9,541,973	9,925,341	12,006,659	11,155,093	21,548,632	21,080,434	2%
Improvements	9,941,953	5,813,745	53,917,748	54,026,975	63,859,701	59,840,720	7%
Equipment	7,715,712	6,899,898	1,717,793	1,717,265	9,433,505	8,617,163	9%
Infrastructure	206,841,463	182,157,915	-	-	206,841,463	182,157,915	14%
Construction in progress	6,632,414	8,646,527	7,813,462	5,092,065	14,445,876	13,738,592	5%
Total	<u>\$ 269,838,785</u>	<u>\$ 241,662,502</u>	<u>\$ 77,610,003</u>	<u>\$ 74,145,739</u>	<u>\$ 347,448,788</u>	<u>\$ 315,808,241</u>	10%

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

- Land – Acquired three small parcels of land to be used in connection with Low & Moderate Income Housing projects in the Redevelopment Project Area.
- Infrastructure – Added over eleven miles of streets through annexation and the acceptance of completed subdivisions. Reconstruction of several major streets was completed.
- Buildings – Completed remodel and expansion of the fire station at the airport.
- Improvements – City Plaza renovation was completed during the year.

Additional information on the City's capital assets can be found in note II.C on pages 38-39 of this report.

#### Long-term debt

At June 30, 2007, the City had total long-term liabilities outstanding of \$155,179,172 net of unamortized premiums and discounts and deferred amounts on refunding, as compared to \$157,321,842 in the prior year. This amount was comprised of \$119,665,000 of revenue bonds, \$3,404,333 of estimated compensated absences, \$4,788,110 of claims liability, \$26,432,961 of loans payable and \$12,427 of capital leases. During the year, retirement of debt and other reductions amounted to \$6,925,772 and additions totaled \$4,783,102. Additions were a result of increases in compensated absences and the actuarially determined claims liability.

Additional information on the City's long-term debt can be found in note II.D on pages 40-43 of this report.

#### Economic Factors and Next Year's Budget

The City Council adopted its first Ten-Year Financial Plan for the General Fund, and other select funds, in June 2007. In the coming fiscal year, Ten-Year Financial Plans will be developed and adopted for all City funds. In addition to the long-range financial plans, the City Council also adopted its first Ten-Year Capital Improvement Program (CIP). The CIP reflects a change to the way Capital Projects are budgeted. Previously, the entire project-length budget was appropriated in a single year, and then carried forward

## Management's Discussion and Analysis (Continued)

until the project was complete. Capital Projects are now budgeted over multiple fiscal years based on the anticipated level of expenditures for each year.

The current Ten-Year Plan for the General Fund shows a growing structural deficit, as the City's revenues are insufficient to meet the increasing needs for community services. In addition to the General Fund, a number of funds carry a deficit balance. From a cash flow perspective, because the City's funds are pooled together, these deficits are depleting City resources to pay for expenditures across all funds. The City has ended the past three years in an increasingly negative cash position (meaning that we are spending more than we are earning). The City's influx of cash comes in January and May of each fiscal year (Property Tax, Sales Tax and Vehicle License Fees) and ideally should be sufficient to carry the City through the summer and fall months. In order to maintain solvency over the long term, deficits in the affected funds must be addressed. The City Council will be provided a list of staff recommendations, in the coming year, regarding ways in which the City can address the structural deficit in the General Fund, the City's cash flow concerns, as well as mechanisms for funding the future needs of our growing City.

### Requests for Information

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

**US Mail:**  
City of Chico  
Finance Director  
P.O. Box 3420  
Chico, California 95927

or

**Phone:**  
(530) 879-7300

or

**Email:**  
[jhenness@ci.chico.ca.us](mailto:jhenness@ci.chico.ca.us)

***GOVERNMENT-WIDE FINANCIAL  
STATEMENTS***



**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 111,669,786	\$ 6,146,139	\$ 117,815,925
Receivables	30,981,073	1,463,781	32,444,854
Internal balances	2,783,102	(2,783,102)	-
Other assets	3,488,450	37,028	3,525,478
Restricted cash and investments	10,735,499	235,909	10,971,408
Capital assets:			
Nondepreciable	35,797,684	9,967,803	45,765,487
Depreciable, net	234,041,101	67,642,200	301,683,301
Total assets	<u>429,496,695</u>	<u>82,709,758</u>	<u>512,206,453</u>
<b>LIABILITIES</b>			
Payables	6,855,309	567,367	7,422,676
Intergovernmental payable	4,922,699	-	4,922,699
Interest payable	1,796,176	172,572	1,968,748
Deposits	6,800	298,120	304,920
Unearned revenue	405,832	444,903	850,735
Long-term liabilities:			
Due within one year	5,317,592	512,032	5,829,624
Due in more than one year	140,844,240	8,505,308	149,349,548
Total liabilities	<u>160,148,648</u>	<u>10,500,302</u>	<u>170,648,950</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	192,458,719	69,059,322	261,518,041
Restricted for:			
Capital projects	18,627,141	-	18,627,141
Debt service	13,186,472	235,909	13,422,381
Housing	26,470,326	-	26,470,326
Other purposes	3,884,016	-	3,884,016
Unrestricted	14,721,373	2,914,225	17,635,598
Total net assets	<u>\$ 269,348,047</u>	<u>\$ 72,209,456</u>	<u>\$ 341,557,503</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS/PROGRAMS:</b>							
Governmental activities:							
General government	\$ 5,542,888	\$ 359,935	331,563	\$ (11,064)	\$ (4,862,454)	\$ -	\$ (4,862,454)
Public safety	34,653,773	1,162,760	1,168,291	(213,311)	(32,536,033)	-	(32,536,033)
Public works	16,055,042	2,574,899	4,967,636	20,715,536	12,203,029	-	12,203,029
Parks and recreation	3,097,522	75,029	49,205	146,169	(2,827,119)	-	(2,827,119)
Community development	5,939,641	6,479,930	2,135,327	18,020	2,693,636	-	2,693,636
Community agencies	813,742	-	-	-	(813,742)	-	(813,742)
Redevelopment	17,641,681	33,322	227,522	-	(17,380,837)	-	(17,380,837)
Interest on long-term debt	6,408,780	-	-	-	(6,408,780)	-	(6,408,780)
Total governmental activities	<u>90,153,069</u>	<u>10,685,875</u>	<u>8,879,544</u>	<u>20,655,350</u>	<u>(49,932,300)</u>	<u>-</u>	<u>(49,932,300)</u>
Business-type activities:							
Sewer	7,274,509	7,675,994	-	2,023,066	-	2,424,551	2,424,551
Parking	847,190	1,414,238	-	-	-	567,048	567,048
Private development	4,490,359	4,047,696	-	-	-	(442,663)	(442,663)
Airport	1,079,615	573,486	-	-	-	(506,129)	(506,129)
Transit	39,978	-	-	-	-	(39,978)	(39,978)
Waste management	2,331	-	-	-	-	(2,331)	(2,331)
Total business-type activities	<u>13,733,982</u>	<u>13,711,414</u>	<u>-</u>	<u>2,023,066</u>	<u>-</u>	<u>2,000,498</u>	<u>2,000,498</u>
Total primary government	<u>\$ 103,887,051</u>	<u>\$ 24,397,289</u>	<u>\$ 8,879,544</u>	<u>\$ 22,678,416</u>	<u>(49,932,300)</u>	<u>2,000,498</u>	<u>(47,931,802)</u>

General revenues:

Taxes:		
Property taxes	37,062,036	37,062,036
Sales and use tax	12,832,519	12,832,519
Sales tax in-lieu	4,289,564	4,289,564
Utility users tax	6,206,763	6,206,763
Other taxes	3,837,006	3,837,006
Grants and contributions not restricted to specific programs	1,200,912	1,200,912
Unrestricted investment earnings	6,190,406	6,340,030
Miscellaneous	245,017	245,017
Gain on disposal of capital assets	362,850	362,850
Transfers	(2,321,221)	-
Total general revenues and transfers	<u>69,905,852</u>	<u>72,376,697</u>
Change in net assets	19,973,552	24,444,895
Net assets, beginning of year	249,374,495	317,112,608
Net assets, end of year	<u>\$ 269,348,047</u>	<u>\$ 341,557,503</u>

The notes to the basic financial statements are an integral part of this statement.



# ***FUND FINANCIAL STATEMENTS***

## FUND FINANCIAL STATEMENTS

### **Governmental Fund Types**

Governmental funds consist of the General Fund, special revenue funds, debt service 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.
  
- **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.
  
- **Public Facilities Impact Fees**  
Accounts for the collection of and expenditure 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
  - Street maintenance equipment
  - Storm drainage facility
  - Sewer trunk line capacity
  - Water Pollution Control Plant capacity
  - Sewer lift stations
  - Community parks
  - Neighborhood parks
  - Bidwell Park land acquisition
  - Linear parks and greenways
  - Administrative building
  - Fire protection building and equipment
  - Police protection building and equipment
  
- **Redevelopment Agency**  
Accounts for the acquisition, relocation, demolition, and sale of land and infrastructure construction for those portions of the City earmarked for redevelopment. Projects are financed from property tax increment revenue and proceeds from the sale of bonds.
  
- **Capital Grants**  
Accounts for receipts and disbursements of a variety of governmental fund capital grants.

## **FUND FINANCIAL STATEMENTS** (Continued)

### **Proprietary Fund Types**

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

Major proprietary 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.

### **Fiduciary Fund Type**

The only fiduciary fund is the:

- **Agency 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.

**CITY OF CHICO, CALIFORNIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 4,896,115	\$ -	\$ 14,965,060	\$ -	\$ 69,864,925	\$ 14,655,515	\$ 104,381,615
Petty cash change funds	1,070	-	-	-	-	-	1,070
Receivables:							
Interest	685,406	429,557	-	-	1,405,884	-	2,520,847
Taxes	492,583	-	3,917	-	289,993	31,610	818,103
Accounts	1,263,674	-	27,267	-	-	30,760	1,321,701
Intergovernmental	1,445,921	649,441	22,329	1,323,203	-	465,964	3,906,858
Loans	-	3,187,599	-	-	18,377,715	733,513	22,298,827
Due from other funds	4,178,297	-	-	-	-	128,703	4,307,000
Deposits with others	-	-	-	-	840,717	-	840,717
Prepaid items	4,247	-	-	-	54,606	-	58,853
Advances to other funds	-	-	-	-	-	253,732	253,732
Restricted assets:							
Cash and investments	-	-	-	-	1,900,000	8,750,499	10,650,499
Total assets	<u>\$ 12,967,313</u>	<u>\$ 4,266,597</u>	<u>\$ 15,018,573</u>	<u>\$ 1,323,203</u>	<u>\$ 92,733,840</u>	<u>\$ 25,050,296</u>	<u>\$ 151,359,822</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 466,259	\$ 118,209	\$ 695,992	\$ 386,490	\$ 2,861,081	\$ 522,415	\$ 5,050,446
Accrued salaries and benefits	1,392,786	1,933	-	-	18,284	53,896	1,466,899
Compensated absences payable	-	-	-	-	-	-	-
Deposits	5,400	400	-	-	1,000	-	6,800
Intergovernmental payable	37,401	-	25,658	31,738	4,797,824	12,918	4,905,539
Due to other funds	-	343,706	-	851,461	-	33,622	1,228,789
Deferred revenue	332,282	1,078,999	-	1,451,856	1,166,737	136,841	4,166,715
Other accrued liabilities	13,396	-	-	-	-	-	13,396
Total liabilities	<u>2,247,524</u>	<u>1,543,247</u>	<u>721,650</u>	<u>2,721,545</u>	<u>8,844,926</u>	<u>759,692</u>	<u>16,838,584</u>
<b>Fund balances (deficit):</b>							
<b>Reserved for:</b>							
Encumbrances	120,141	233,631	1,511,459	702,572	6,595,227	765,957	9,928,987
Deposits with others	-	-	-	-	840,717	-	840,717
Prepaid items	4,247	-	-	-	54,606	-	58,853
Debt service	-	-	3,460,543	-	1,900,000	8,750,499	14,111,042
Loans receivable	-	3,187,599	-	-	18,377,715	733,513	22,298,827
Advances to other funds	-	-	-	-	-	253,732	253,732
<b>Unreserved reported in:</b>							
<b>General Fund:</b>							
Designated for emergencies	5,568,152	-	-	-	-	-	5,568,152
Undesignated	5,027,249	-	-	-	-	-	5,027,249
<b>Special revenue funds:</b>							
Designated for capital replacement	-	-	-	-	-	798,854	798,854
Undesignated	-	(697,880)	-	-	-	4,122,708	3,424,828
<b>Capital projects funds:</b>							
Undesignated	-	-	9,324,921	(2,100,914)	56,120,649	8,865,341	72,209,997
Total fund balances (deficit)	<u>10,719,789</u>	<u>2,723,350</u>	<u>14,296,923</u>	<u>(1,398,342)</u>	<u>83,888,914</u>	<u>24,290,604</u>	<u>134,521,238</u>
Total liabilities and fund balances (deficit)	<u>\$ 12,967,313</u>	<u>\$ 4,266,597</u>	<u>\$ 15,018,573</u>	<u>\$ 1,323,203</u>	<u>\$ 92,733,840</u>	<u>\$ 25,050,296</u>	<u>\$ 151,359,822</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2007**

Total fund balances (deficit) - total governmental funds (page 16)		\$ 134,521,238
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		269,351,691
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		3,760,883
Internal service funds are used by management to charge the costs of activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		2,377,479
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term obligations	(137,499,052)	
Compensated absences	(2,718,394)	
Accrued interest payable	(1,796,176)	
Premium on bond issuance	(924,570)	
Deferred charges on bond issuance costs	2,274,948	(140,663,244)
Net assets of governmental activities (page 14)		\$ 269,348,047

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 9,912,604	\$ -	\$ -	\$ -	\$ 27,149,432	\$ -	\$ 37,062,036
Sales and use taxes	17,122,083	-	-	-	-	-	17,122,083
Other taxes	10,043,769	-	-	-	-	-	10,043,769
Licenses and permits	105,117	-	-	-	-	-	105,117
Intergovernmental	2,219,987	1,881,627	-	4,316,692	112,000	6,266,177	14,796,483
Charges for services	230,225	-	6,068,956	-	34,740	2,358,285	8,692,206
Fines, forfeitures, and penalties	777,704	-	-	-	-	96,942	874,646
Use of money and property	485,853	46,569	826,620	-	3,965,001	1,126,204	6,450,247
Miscellaneous	418,858	-	-	80,568	33,259	77	532,762
<b>Total revenues</b>	<b>41,316,200</b>	<b>1,928,196</b>	<b>6,895,576</b>	<b>4,397,260</b>	<b>31,294,432</b>	<b>9,847,685</b>	<b>95,679,349</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	4,955,615	-	-	41,667	-	227,985	5,225,267
Public safety	33,170,349	-	-	100,814	-	242,600	33,513,763
Public works	4,233,185	-	-	199,298	-	5,204,774	9,637,257
Parks and recreation	2,621,515	-	-	98,607	-	-	2,720,122
Community development	312,842	1,321,980	4,050,153	18,020	-	259,870	5,962,865
Community agencies	814,255	-	-	-	-	-	814,255
Redevelopment	-	-	-	-	17,332,924	-	17,332,924
Capital outlay	165,416	121,586	4,113,609	2,255,931	15,228,576	1,393,744	23,278,862
<b>Debt service:</b>							
Principal retirement	-	-	1,177,345	-	-	1,895,000	3,072,345
Interest and fiscal charges	-	-	552,926	-	-	5,825,416	6,378,342
<b>Total expenditures</b>	<b>46,273,177</b>	<b>1,443,566</b>	<b>9,894,033</b>	<b>2,714,337</b>	<b>32,561,500</b>	<b>15,049,389</b>	<b>107,936,002</b>
Excess (deficiency) of revenues over (under) expenditures	(4,956,977)	484,630	(2,998,457)	1,682,923	(1,267,068)	(5,201,704)	(12,256,653)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	6,776,429	-	-	-	-	9,140,621	15,917,050
Transfers out	(1,483,493)	-	(44,080)	-	(7,836,449)	(4,716,643)	(14,080,665)
Proceeds from sale of capital assets	-	-	-	-	432,000	-	432,000
<b>Total other financing sources (uses)</b>	<b>5,292,936</b>	<b>-</b>	<b>(44,080)</b>	<b>-</b>	<b>(7,404,449)</b>	<b>4,423,978</b>	<b>2,268,385</b>
<b>Net change in fund balances (deficit)</b>	<b>335,959</b>	<b>484,630</b>	<b>(3,042,537)</b>	<b>1,682,923</b>	<b>(8,671,517)</b>	<b>(777,726)</b>	<b>(9,988,268)</b>
Fund balances (deficit), beginning of year	10,383,830	2,238,720	17,339,460	(3,081,265)	92,560,431	25,068,330	144,509,506
<b>Fund balances (deficit), end of year</b>	<b>\$ 10,719,789</b>	<b>\$ 2,723,350</b>	<b>\$ 14,296,923</b>	<b>\$ (1,398,342)</b>	<b>\$ 83,888,914</b>	<b>\$ 24,290,604</b>	<b>\$ 134,521,238</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds (page 18) \$ (9,988,268)

Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital outlay	23,278,862	
Depreciation expense	<u>(7,469,808)</u>	15,809,054

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals, transfers, donations, etc.) was to increase (decrease) net assets:

Transfers and disposals of capital assets		(4,550,708)
Capital contributions		17,005,048

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue		(1,465,054)
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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.

Principal retirement		3,072,345
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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.

Accrued interest		41,668
Compensated absences		(402,897)
Amortization of debt premium		36,983
Amortization of bond issuance costs		(109,089)

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.

		<u>524,470</u>
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Change in net assets of governmental activities (page 15) \$ 19,973,552

**CITY OF CHICO, CALIFORNIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 9,538,388	\$ 10,017,777	\$ 9,912,604	\$ (105,173)
Sales and use taxes	18,338,425	17,425,000	17,122,083	(302,917)
Other taxes	9,680,270	10,205,732	10,043,769	(161,963)
Licenses and permits	90,326	90,326	105,117	14,791
Intergovernmental	1,116,429	1,826,762	2,219,987	393,225
Charges for services	182,450	214,639	230,225	15,586
Fines, forfeitures, and penalties	815,600	734,092	777,704	43,612
Use of money and property	420,624	488,954	485,853	(3,101)
Miscellaneous	57,480	377,117	418,858	41,741
Total revenues	<u>40,239,992</u>	<u>41,380,399</u>	<u>41,316,200</u>	<u>(64,199)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	3,774,709	4,352,001	4,955,615	(603,614)
Public safety	33,852,475	33,932,103	33,170,349	761,754
Public works	4,550,477	4,567,224	4,233,185	334,039
Parks and recreation	2,929,330	2,989,145	2,621,515	367,630
Community development	351,477	316,711	312,842	3,869
Community agencies	735,835	822,256	814,255	8,001
Capital outlay	647,753	361,141	165,416	195,725
Total expenditures	<u>46,842,056</u>	<u>47,340,581</u>	<u>46,273,177</u>	<u>1,067,404</u>
Deficiency of revenues under expenditures	<u>(6,602,064)</u>	<u>(5,960,182)</u>	<u>(4,956,977)</u>	<u>1,003,205</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,382,681	6,784,969	6,776,429	(8,540)
Transfers out	<u>(975,090)</u>	<u>(1,463,916)</u>	<u>(1,483,493)</u>	<u>(19,577)</u>
Total other financing sources (uses)	<u>5,407,591</u>	<u>5,321,053</u>	<u>5,292,936</u>	<u>(28,117)</u>
Net change in fund balance	(1,194,473)	(639,129)	335,959	975,088
Fund balance, beginning of year	<u>10,383,830</u>	<u>10,383,830</u>	<u>10,383,830</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 9,189,357</u></u>	<u><u>\$ 9,744,701</u></u>	<u><u>\$ 10,719,789</u></u>	<u><u>\$ 975,088</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA  
HOUSING SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,596,033	\$ 3,852,175	\$ 1,881,627	\$ (1,970,548)
Use of money and property	4,800	4,800	46,569	41,769
Miscellaneous	15,200	15,200	-	(15,200)
Total revenues	<u>1,616,033</u>	<u>3,872,175</u>	<u>1,928,196</u>	<u>(1,943,979)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	1,516,033	2,191,846	1,321,980	869,866
Capital outlay	-	125,000	121,586	3,414
Total expenditures	<u>1,516,033</u>	<u>2,316,846</u>	<u>1,443,566</u>	<u>873,280</u>
Excess of revenues over expenditures	<u>100,000</u>	<u>1,555,329</u>	<u>484,630</u>	<u>(1,070,699)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(100,000)	(100,000)	-	100,000
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Net change in fund balance	-	1,455,329	484,630	(970,699)
Fund balance, beginning of year	<u>2,238,720</u>	<u>2,238,720</u>	<u>2,238,720</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,238,720</u></u>	<u><u>\$ 3,694,049</u></u>	<u><u>\$ 2,723,350</u></u>	<u><u>\$ (970,699)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport	Nonmajor Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 3,976,803	\$ 2,001,622	\$ -	\$ -	\$ 167,714	\$ 6,146,139	\$ 7,287,101
Receivables:							
Accounts	1,196,437	13,341	244,795	6,140	-	1,460,713	767
Intergovernmental	-	-	-	3,068	-	3,068	113,970
Inventories	-	-	-	-	-	-	42,790
Other assets	-	37,028	-	-	-	37,028	271,142
Total current assets	<u>5,173,240</u>	<u>2,051,991</u>	<u>244,795</u>	<u>9,208</u>	<u>167,714</u>	<u>7,646,948</u>	<u>7,715,770</u>
Noncurrent assets:							
Restricted cash and investments	-	235,909	-	-	-	235,909	85,000
Land and construction in progress	3,891,036	1,578,775	-	4,497,992	-	9,967,803	30,391
Other capital assets, net of accumulated depreciation	54,947,243	3,186,425	181,786	9,326,746	-	67,642,200	456,703
Total noncurrent assets	<u>58,838,279</u>	<u>5,001,109</u>	<u>181,786</u>	<u>13,824,738</u>	<u>-</u>	<u>77,845,912</u>	<u>572,094</u>
Total assets	<u>64,011,519</u>	<u>7,053,100</u>	<u>426,581</u>	<u>13,833,946</u>	<u>167,714</u>	<u>85,492,860</u>	<u>8,287,864</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	325,229	33,587	95,296	12,485	-	466,597	280,209
Accrued salaries and benefits	40,857	2,410	55,771	1,732	-	100,770	44,359
Intergovernmental payable	-	-	-	-	-	-	17,160
Due to other funds	-	-	2,710,605	183,649	-	2,894,254	183,957
Interest payable	114,329	58,243	-	-	-	172,572	-
Deposits	-	-	298,120	-	-	298,120	-
Compensated absences - current portion	17,714	889	20,373	1,596	-	40,572	19,064
Claims liability - current portion	-	-	-	-	-	-	1,541,807
Long-term debt - current portion	381,460	90,000	-	-	-	471,460	12,427
Deferred revenue	-	-	444,903	-	-	444,903	-
Total current liabilities	<u>879,589</u>	<u>185,129</u>	<u>3,625,068</u>	<u>199,462</u>	<u>-</u>	<u>4,889,248</u>	<u>2,098,983</u>
Noncurrent liabilities:							
Long-term debt:							
Revenue bonds payable, net	-	2,116,770	-	-	-	2,116,770	-
Loan payable	5,962,451	-	-	-	-	5,962,451	-
Advances from other funds	-	-	-	-	-	-	253,732
Compensated absences	186,029	9,342	213,959	16,757	-	426,087	200,216
Claims liability	-	-	-	-	-	-	3,246,302
Total noncurrent liabilities	<u>6,148,480</u>	<u>2,126,112</u>	<u>213,959</u>	<u>16,757</u>	<u>-</u>	<u>8,505,308</u>	<u>3,700,250</u>
Total liabilities	<u>7,028,069</u>	<u>2,311,241</u>	<u>3,839,027</u>	<u>216,219</u>	<u>-</u>	<u>13,394,556</u>	<u>5,799,233</u>
<b>NET ASSETS (DEFICIT)</b>							
Invested in capital assets, net of related debt	52,494,368	2,558,430	181,786	13,824,738	-	69,059,322	474,667
Restricted for debt service	-	235,909	-	-	-	235,909	-
Unrestricted	4,489,082	1,947,520	(3,594,232)	(207,011)	167,714	2,803,073	2,013,964
Total net assets (deficit)	<u>\$ 56,983,450</u>	<u>\$ 4,741,859</u>	<u>\$ (3,412,446)</u>	<u>\$ 13,617,727</u>	<u>\$ 167,714</u>	<u>\$ 72,098,304</u>	<u>\$ 2,488,631</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						111,152	
Net assets of business-type activities						<u>\$ 72,209,456</u>	

**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport	Nonmajor Enterprise Funds	Total Enterprise Funds	
<b>OPERATING REVENUES:</b>							
Charges for services	\$ 7,615,640	\$ 1,079,238	\$ 2,972,247	\$ 78,915	\$ -	\$ 11,746,040	\$ 9,201,132
Licenses and permits	-	-	1,075,302	-	-	1,075,302	-
Rental charges	53,469	-	-	426,134	-	479,603	-
Total operating revenues	<u>7,669,109</u>	<u>1,079,238</u>	<u>4,047,549</u>	<u>505,049</u>	<u>-</u>	<u>13,300,945</u>	<u>9,201,132</u>
<b>OPERATING EXPENSES:</b>							
Salaries and benefits	2,257,061	323,042	3,416,547	288,125	1,628	6,286,403	3,255,190
Materials and supplies	1,168,144	59,235	56,896	79,297	-	1,363,572	1,699,011
Purchased services	283,562	41,046	258,491	83,097	-	666,196	1,574,426
Other expenses	781,659	93,864	761,054	83,317	761	1,720,655	2,290,323
Depreciation	2,639,104	178,142	23,232	547,467	-	3,387,945	140,777
Total operating expenses	<u>7,129,530</u>	<u>695,329</u>	<u>4,516,220</u>	<u>1,081,303</u>	<u>2,389</u>	<u>13,424,771</u>	<u>8,959,727</u>
Operating income (loss)	<u>539,579</u>	<u>383,909</u>	<u>(468,671)</u>	<u>(576,254)</u>	<u>(2,389)</u>	<u>(123,826)</u>	<u>241,405</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Intergovernmental	-	-	-	-	-	-	-
Investment earnings	173,538	82,712	(110,863)	(3,516)	7,753	149,624	259,320
Interest expense	(167,908)	(150,040)	-	-	-	(317,948)	-
Miscellaneous	6,885	335,000	147	68,437	-	410,469	102,481
Gain (loss) on disposal of capital assets	5,164	(4,524)	-	(298)	(39,978)	(39,636)	-
Total nonoperating revenues (expenses)	<u>17,679</u>	<u>263,148</u>	<u>(110,716)</u>	<u>64,623</u>	<u>(32,225)</u>	<u>202,509</u>	<u>361,801</u>
Income (loss) before contributions and transfers	557,258	647,057	(579,387)	(511,631)	(34,614)	78,683	603,206
Capital contributions	4,678,864	19,910	83,335	1,809,956	-	6,592,065	-
Transfers in	-	-	611,270	-	-	611,270	-
Transfers out	(1,185,180)	(133,564)	(976,721)	(113,317)	(450,266)	(2,859,048)	(30,363)
Change in net assets (deficit)	<u>4,050,942</u>	<u>533,403</u>	<u>(861,503)</u>	<u>1,185,008</u>	<u>(484,880)</u>	<u>4,422,970</u>	<u>572,843</u>
Net assets (deficit), beginning of year	<u>52,932,508</u>	<u>4,208,456</u>	<u>(2,550,943)</u>	<u>12,432,719</u>	<u>652,594</u>		<u>1,915,788</u>
Net assets (deficit), end of year	<u>\$ 56,983,450</u>	<u>\$ 4,741,859</u>	<u>\$ (3,412,446)</u>	<u>\$ 13,617,727</u>	<u>\$ 167,714</u>		<u>\$ 2,488,631</u>
						48,373	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>\$ 4,471,343</u>	
Change in net assets of business-type activities							

**CITY OF CHICO, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport	Nonmajor Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and users	\$ 7,639,680	\$ 1,415,514	\$ 3,912,535	\$ 645,762	\$ -	\$ 13,613,491	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	9,335,316
Payments to suppliers and claimants	(2,337,486)	(221,530)	(1,736,615)	(303,386)	(773)	(4,599,790)	(4,557,225)
Payments to employees	(2,245,827)	(319,878)	(3,392,567)	(285,901)	(1,628)	(6,245,801)	(3,227,021)
Payments for interfund services used	295,492	45,065	555,764	55,564	-	951,885	-
Net cash provided (used) by operating activities	<u>3,351,859</u>	<u>919,171</u>	<u>(660,883)</u>	<u>112,039</u>	<u>(2,401)</u>	<u>3,719,785</u>	<u>1,551,070</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Interfund borrowings	-	-	1,137,197	4,795	-	1,141,992	(140,984)
Transfers in	-	-	611,270	-	-	611,270	-
Transfers out	(1,185,180)	(133,564)	(976,721)	(113,317)	(8,510)	(2,417,292)	(30,363)
Net cash provided (used) by noncapital financing activities	<u>(1,185,180)</u>	<u>(133,564)</u>	<u>771,746</u>	<u>(108,522)</u>	<u>(8,510)</u>	<u>(664,030)</u>	<u>(171,347)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(746,699)	-	-	-	-	(746,699)	(53,666)
Principal paid on long-term debt	(371,794)	(85,000)	-	-	-	(456,794)	(24,031)
Interest paid	(174,608)	(149,222)	(110,863)	(3,517)	-	(438,210)	-
Proceeds from sale of capital assets	5,164	-	-	-	-	5,164	-
Net cash used by capital and related financing activities	<u>(1,287,937)</u>	<u>(234,222)</u>	<u>(110,863)</u>	<u>(3,517)</u>	<u>-</u>	<u>(1,636,539)</u>	<u>(77,697)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Interest received	173,538	82,712	-	-	7,753	264,003	259,320
Net increase (decrease) in cash and investments	1,052,280	634,097	-	-	(3,158)	1,683,219	1,561,346
CASH AND INVESTMENTS, beginning of year	2,924,523	1,603,434	-	-	170,872	4,698,829	5,810,755
CASH AND INVESTMENTS, end of year	<u>\$ 3,976,803</u>	<u>\$ 2,237,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,714</u>	<u>\$ 6,382,048</u>	<u>\$ 7,372,101</u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS:</b>							
Cash and investments	\$ 3,976,803	\$ 2,001,622	\$ -	\$ -	\$ 167,714	\$ 6,146,139	\$ 7,287,101
Restricted cash and investments	-	235,909	-	-	-	235,909	85,000
CASH AND INVESTMENTS, end of year	<u>\$ 3,976,803</u>	<u>\$ 2,237,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,714</u>	<u>\$ 6,382,048</u>	<u>\$ 7,372,101</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport	Nonmajor Enterprise Funds		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>							
Operating income (loss)	\$ 539,579	\$ 383,909	\$ (468,671)	\$ (576,254)	\$ (2,389)	\$ (123,826)	\$ 241,405
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	2,639,104	178,142	23,232	547,467	-	3,387,945	140,777
Miscellaneous revenues	6,885	335,000	147	68,437	-	410,469	102,481
Change in assets and liabilities:							
Accounts receivable	(35,386)	1,276	30,404	72,276	-	68,570	934
Intergovernmental receivables	-	-	92	-	-	92	30,769
Inventories	-	-	-	-	-	-	1,234
Other assets	-	2,233	1,840	-	-	4,073	(48,682)
Accounts payable	191,596	15,447	(91,596)	(2,086)	(12)	113,349	57,134
Accrued salaries and benefits	(3,323)	(258)	3,795	195	-	409	5,785
Intergovernmental payable	(225)	-	(14,654)	(25)	-	(14,904)	14,495
Deposits	-	-	(15,065)	-	-	(15,065)	-
Compensated absences	14,557	3,422	20,185	2,029	-	40,193	22,384
Claims liability	-	-	-	-	-	-	982,354
Deferred revenue	(928)	-	(150,592)	-	-	(151,520)	-
Total adjustments	2,812,280	535,262	(192,212)	688,293	(12)	3,843,611	1,309,665
Net cash provided (used) by operating activities	<u>\$ 3,351,859</u>	<u>\$ 919,171</u>	<u>\$ (660,883)</u>	<u>\$ 112,039</u>	<u>\$ (2,401)</u>	<u>\$ 3,719,785</u>	<u>\$ 1,551,070</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>							
Capital asset contributions	<u>\$ 2,023,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,023,065</u>	<u>\$ -</u>
Transfer of capital assets from Governmental funds	<u>\$ 2,655,799</u>	<u>\$ 19,910</u>	<u>\$ 83,335</u>	<u>\$ 1,809,956</u>	<u>\$ -</u>	<u>\$ 4,569,000</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**JUNE 30, 2007**

**ASSETS**

Restricted cash and investments	\$ 1,840,378
Receivables:	
Taxes	2,629
Loans	<u>119,179</u>
Total assets	<u><u>\$ 1,962,186</u></u>

**LIABILITIES**

Special assessment deposits	\$ 1,723,477
Other liabilities	<u>238,709</u>
Total liabilities	<u><u>\$ 1,962,186</u></u>

The notes to the basic financial statements are an integral part of this statement.



***NOTES TO THE BASIC  
FINANCIAL STATEMENTS***

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. 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 its component units. Component units are legally separate entities for which the City is financially accountable.

Due to the financial and operational relationships of the following entities, the City has four component units – Chico Redevelopment Agency, Chico Public Financing Authority, Chico Parking Authority, and Chico Urban Area Joint Powers Financing Authority. Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 and No. 39, the Chico Redevelopment Agency, Chico Public Financing Authority and the Chico Parking Authority are blended into the City's basic financial statements, as the governing bodies are substantially the same as the governing body of the City. The Chico Urban Area Joint Powers Financing Authority provides services exclusively to and is fiscally dependent on the City and thus is reported as a blended component unit.

Chico Public Financing Authority

In order to facilitate the financing of public improvements, as well as other facilities and improvements which can be funded through the issuance of tax exempt bonds, the City Council and the governing board of the Chico Redevelopment Agency established a joint powers agency, known as the Chico Public Financing Authority (CPFA), 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 CPFA is authorized, among other things, to issue bonds pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, as set forth in Article 4, Chapter 5, Division 7, Title 1, of the California Government Code (commencing with Government Code Section 6584) for the purpose of financing facilities and improvements. The financing activity of the CPFA is included in the City's financial statements in the debt service funds.

Chico Parking Authority

The Chico Parking Authority was activated by a resolution of the Chico City Council on March 7, 1978, pursuant to the Parking Law of 1949 (Section 32500 et seq. of the Streets and Highways Code of the State of California). The Parking Authority has the power to acquire, construct, finance and lease parking facilities in the City. The financial activity of the Chico Parking Authority is included in the City's financial statements in the enterprise funds.

Chico Redevelopment Agency

The Chico Redevelopment Agency (Redevelopment Agency) is a community redevelopment agency formed, organized and existing pursuant to the provisions of the Community Redevelopment Law of the State of California (California Health and Safety Code, Section 33000 et seq.). The Redevelopment Agency is vested with the responsibility of carrying out a duly adopted redevelopment plan. The Board of Directors of the Redevelopment Agency is comprised of the seven members of the Chico City Council. The financial activity of the Redevelopment Agency is included in the City's financial statements in the capitals projects and debt service funds.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Chico Urban Area Joint Powers Financing Authority

In August 2005, the governing boards of 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 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. It is also authorized to perform the construction and installation of the sewer facilities and improvements. The construction activity of the JPFA is included in the Redevelopment Agency capital projects fund.

Complete financial statements of the CPFA, the Redevelopment Agency and the JPFA may be obtained from the Finance Department of the City of Chico at 411 Main Street, Chico, California 95928.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 and other items not properly included among 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.

**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. For the purposes of recognizing the State initiated sales tax "true-up" a seven month availability period is used. Expenditures generally

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 when due and payable. The City includes certain indirect costs as program expenses, which are reported in the City's functional activities.

Substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, transient occupancy, franchise fees, and gas taxes), investment earnings, state and federal grants, and charges for current services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues from licenses, permits, and fines and forfeitures are considered to be measurable and available only when cash is received by the City.

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 **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 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.

The **Public Facilities Impact Fees Capital Projects Fund** accounts for the collection of and expenditure 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
- Street maintenance equipment
- Storm drainage facility
- Sewer trunk line capacity
- Water Pollution Control Plant capacity
- Sewer lift stations
- Community parks
- Neighborhood parks
- Bidwell Park land acquisition
- Linear parks and greenways
- Administrative building
- Fire protection building and equipment
- Police protection building and equipment

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

The **Redevelopment Agency Capital Projects Fund** accounts for the acquisition, relocation, demolition, and sale of land and infrastructure construction for those portions of the City earmarked for redevelopment. Projects are financed from property tax increment revenue and proceeds from the sale of bonds. The Fund also accounts for the construction activities of the Chico Urban Area Joint Powers Financing Authority.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 and debt service on the 1994 Parking Revenue Bonds issued to finance the downtown parking structure.

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 and information services provided to other departments or agencies of the City on a cost-reimbursement basis.

The **Agency Funds** account for assets held by the City as an agent for bonded assessment districts and for certain employee benefits. The Agency Funds are custodial in nature and do not involve measurement of the results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

When both restricted and unrestricted resources are available for use, it is the City'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.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, LIABILITIES, AND NET ASSETS 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. All investments with fiscal agents are also considered cash equivalents because they are highly liquid and have maturities of three months or less at the time of purchase.

The City reports investments at fair value, except for guaranteed investment contracts that are reported at cost. The value of all securities in the City's investment pool is based on quoted market prices or fair values provided by major investment brokers. The City determines and adjusts to the fair value at the end of each fiscal year. Income is distributed to the funds monthly based on their average daily cash balance.

Restricted Cash and Investments

Restricted cash and investments represent amounts that are restricted for debt service 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 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 a fund balance reserve 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. For the purposes of recognizing the State initiated sales tax "true-up" a seven month availability period is used.

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 available, with the differences recorded as deferred revenue. The corresponding

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

proprietary fund revenues are recorded as nonoperating revenues when the receivables are recorded. The total amount due from other governments for grants, entitlements, and shared receivables and revenues at June 30, 2007, is \$4,023,896.

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

Capital assets, which include land, 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 assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is determined by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest earned on invested proceeds over the same period. No interest was capitalized in the enterprise funds during the fiscal year ended June 30, 2007.

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	25-50 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. In the past, the General Fund, the Redevelopment Agency and Capital Improvements Capital Projects Funds have been used to liquidate compensated absences.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets are classified in the following categories:

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

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

**E. OTHER SIGNIFICANT ACCOUNTING POLICIES**

Budgetary Data

The City's operating budget is adopted by the City Council on or before the first meeting in July each year on a basis consistent with U.S. generally accepted accounting principles. 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 total expenditures of any fund requires approval by the City Council. The legal level of budgetary control is the fund level.

Budget information is adopted on a biennial basis for the General Fund, special revenue funds and debt service funds. The budget is adopted on a project length basis for capital projects funds. Original appropriations are adjusted by supplemental appropriations and budget modifications approved during the year, creating the modified adopted budget.

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.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**II. DETAILED NOTES**

**A. CASH AND INVESTMENTS**

At June 30, 2007, the City's cash and investments at fair value were as follows:

	Primary Government	Fiduciary Fund Statement of Net Assets	Total
Cash and investments	\$ 117,815,925	\$ -	\$ 117,815,925
Restricted cash and investments	10,971,408	1,840,378	12,811,786
Total cash and investments	<u>\$ 128,787,333</u>	<u>\$ 1,840,378</u>	<u>\$ 130,627,711</u>

At June 30, 2007, the City's cash and investments consist of the following:

Cash in bank and petty cash	\$ 5,893,831
Investments	125,968,289
Outstanding checks and other reconciling items	<u>(1,234,409)</u>
Total cash and investments	<u>\$ 130,627,711</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, reverse repurchase agreements, or corporate bonds. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
U.S. Treasury Securities	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Money Market Mutual Funds	5 years	20%	10%	AAA
Collateralized Bank Deposits	5 years	None	None	None
State of California and California Local Agency Bonds	5 years	15%	5%	None
Repurchase Agreements	5 years	None	5%	None
Local Agency Investment Fund	N/A	None	None	None

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**II. DETAILED NOTES (Continued)**

**A. CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits 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 or will not 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. 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, 2007, the City's balance in financial institutions was \$5,892,761. Of that amount, \$100,000 was covered by Federal depository insurance, and \$5,792,761 was covered by collateral held in the pledging bank's trust department, but such collateral was not held in the City's name. The custodian of the investments is not the counterparty for the investments held for the City and hence these investments are not exposed to custodial credit risk.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer (other than U.S. Treasury Notes, mutual funds and external investment pools) that represent 5% or more of the total investments of the City are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Rabobank	Guaranteed Investment Contract	\$ 55,188,890
FSA Capital Management Services	Guaranteed Investment Contract	8,515,713
FHLB	U.S. Agency Securities	17,020,838
FNMA	U.S. Agency Securities	7,497,422

Interest Rate and Credit 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 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.

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.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

**A. CASH AND INVESTMENTS (Continued)**

As of June 30, 2007, the City's investments and credit ratings are as follows:

	Credit rating (S&P/ Moody's)	Maturity				Fair Value
		Under 30 Days	31-365 Days	1-5 Years	Over 5 Years	
Cash in bank and petty cash		\$ -	\$ -	\$ -	\$ -	\$ 5,893,831
Investments held by fiscal agents:						
Deposits		-	-	-	-	85,000
Money Market Mutual Funds	AAA/Aaa	470,727	-	-	-	470,727
Guaranteed Investment Contract	AAA/Aaa	-	-	-	8,515,713	8,515,713
Guaranteed Investment Contract	AAA	-	-	55,188,890	-	55,188,890
Total investments held by fiscal agents						64,260,330
Investments held in City treasury:						
Local Agency Investment Fund	Not Rated	29,469,578	-	-	-	29,469,578
Money Market Mutual Funds	Not Rated	3,220,687	-	-	-	3,220,687
Federal Home Loan Bank	AAA	-	2,500,000	14,520,838	-	17,020,838
Federal Home Loan Mortgage Corp.	AAA	-	499,435	1,500,000	-	1,999,435
Federal National Mortgage Assn	AAA	-	1,499,609	5,997,813	-	7,497,422
Federal Farm Credit Bank	AAA	-	500,000	2,000,000	-	2,500,000
Total investments held in City treasury						61,707,959
Less outstanding checks and reconciling items						(1,234,409)
Total cash and investments						\$ 130,627,711

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the State of California Treasurer. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio, as calculated monthly). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

**B. RECEIVABLES AND DEFERRED REVENUE**

Receivables at June 30, 2007, consist of the following:

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
<b>Governmental Activities:</b>								
Interest	\$ 685,406	\$ 429,557	\$ -	\$ -	\$ 1,405,884	\$ -	\$ -	\$ 2,520,847
Taxes	492,583	-	3,917	-	289,993	31,610	-	818,103
Accounts	1,263,674	-	27,267	-	-	30,760	767	1,322,468
Intergovernmental	1,445,921	649,441	22,329	1,323,203	-	465,964	113,970	4,020,828
Loans	-	3,187,599	-	-	18,377,715	733,513	-	22,298,827
Total Governmental activities	<u>\$ 3,887,584</u>	<u>\$ 4,266,597</u>	<u>\$ 53,513</u>	<u>\$ 1,323,203</u>	<u>\$ 20,073,592</u>	<u>\$ 1,261,847</u>	<u>\$ 114,737</u>	<u>\$ 30,981,073</u>
<b>Business-Type Activities:</b>								
	Sewer	Parking	Private Development	Airport	Total Governmental Activities			
Accounts	\$ 1,196,437	\$ 13,341	\$ 244,795	\$ 6,140	\$ 1,460,713			
Intergovernmental	-	-	-	3,068	3,068			
Total business-type activities	<u>\$ 1,196,437</u>	<u>\$ 13,341</u>	<u>\$ 244,795</u>	<u>\$ 9,208</u>	<u>\$ 1,463,781</u>			

The loans receivable in the Housing Special Revenue Fund and Redevelopment Agency Capital Projects Fund of \$3,187,599 and \$18,377,715, respectively, 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 has not recorded a provision for uncollectibles as management considers all receivables to be collectible. Receivables of \$3,608,463 and \$19,552,265, respectively, reported in the Housing Special Revenue Fund and Redevelopment Agency Capital Projects Fund are not expected to be collected within one year. The loans receivable in the Nonmajor Governmental Funds of \$733,513 consist of other secured loans and loans made for employee computer purchases. Receivables of \$655,390 reported in the Nonmajor Governmental Funds are not expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

**B. RECEIVABLES AND DEFERRED REVENUE (Continued)**

The following summarizes deferred revenue as of June 30, 2007:

	Unearned	Unavailable	Total
<b>Governmental activities:</b>			
General Fund	\$ 183,342	\$ 148,940	\$ 332,282
Housing Special Revenue Fund	-	1,078,999	1,078,999
Capital Grants Capital Projects Fund	171,438	1,280,418	1,451,856
Redevelopment Agency Capital Projects Fund	-	1,166,737	1,166,737
Other Governmental Funds	51,052	85,789	136,841
	<u>51,052</u>	<u>85,789</u>	<u>136,841</u>
Total governmental activities	<u>\$ 405,832</u>	<u>\$ 3,760,883</u>	<u>\$ 4,166,715</u>

**C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 28,219,076	\$ 988,995	\$ (69,150)	\$ 26,349	\$ 29,165,270
Construction in progress	8,646,527	4,574,390	(301,295)	(6,287,208)	6,632,414
Total capital assets, not being depreciated	<u>36,865,603</u>	<u>5,563,385</u>	<u>(370,445)</u>	<u>(6,260,859)</u>	<u>35,797,684</u>
Capital assets being depreciated:					
Buildings	16,455,061	27,471	-	-	16,482,532
Improvements other than buildings	11,752,753	1,169,991	-	3,547,891	16,470,635
Equipment, furniture and vehicles	14,936,140	2,000,498	(618,706)	(40,311)	16,277,621
Infrastructure:					
Roadway	184,539,926	22,295,903	-	3,207,727	210,043,556
Bridge	6,845,426	632,864	-	-	7,478,290
Drainage	32,391,773	4,093,880	-	27,628	36,513,281
Total capital assets, being depreciated	<u>266,921,079</u>	<u>30,220,607</u>	<u>(618,706)</u>	<u>6,742,935</u>	<u>303,265,915</u>
Less accumulated depreciation for:					
Buildings	(6,529,720)	(410,839)	-	-	(6,940,559)
Improvements other than buildings	(5,939,008)	(507,382)	-	(82,292)	(6,528,682)
Equipment, furniture and vehicles	(8,036,242)	(1,117,910)	565,687	26,556	(8,561,909)
Infrastructure:					
Roadway	(33,653,964)	(4,606,312)	-	-	(38,260,276)
Bridge	(2,506,782)	(140,583)	-	-	(2,647,365)
Drainage	(5,458,464)	(827,559)	-	-	(6,286,023)
Total accumulated depreciation	<u>(62,124,180)</u>	<u>(7,610,585)</u>	<u>565,687</u>	<u>(55,736)</u>	<u>(69,224,814)</u>
Total capital assets being depreciated, net	<u>204,796,899</u>	<u>22,610,022</u>	<u>(53,019)</u>	<u>6,687,199</u>	<u>234,041,101</u>
Governmental activities capital asset, net	<u>\$ 241,662,502</u>	<u>\$ 28,173,407</u>	<u>\$ (423,464)</u>	<u>\$ 426,340</u>	<u>\$ 269,838,785</u>

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

**C. CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,154,341	\$ -	\$ -	\$ -	\$ 2,154,341
Construction in progress	<u>5,092,065</u>	<u>2,986,210</u>	<u>(4,822)</u>	<u>(259,991)</u>	<u>7,813,462</u>
Total capital assets, not being depreciated:	<u>7,246,406</u>	<u>2,986,210</u>	<u>(4,822)</u>	<u>(259,991)</u>	<u>9,967,803</u>
Capital assets, being depreciated:					
Buildings	18,000,199	1,284,649	-	121,281	19,406,129
Improvements other than buildings	78,120,014	2,825,929	-	(385,559)	80,560,384
Equipment, furniture and vehicles	<u>3,215,379</u>	<u>226,561</u>	<u>(384,180)</u>	<u>42,192</u>	<u>3,099,952</u>
Total capital assets, being depreciated:	<u>99,335,592</u>	<u>4,337,139</u>	<u>(384,180)</u>	<u>(222,086)</u>	<u>103,066,465</u>
Less accumulated depreciation for:					
Buildings	(6,845,106)	(554,364)	-	-	(7,399,470)
Improvements other than buildings	(24,093,039)	(2,631,890)	-	82,292	(26,642,637)
Equipment, furniture and vehicles	<u>(1,498,114)</u>	<u>(201,691)</u>	<u>344,203</u>	<u>(26,556)</u>	<u>(1,382,158)</u>
Total accumulated depreciation	<u>(32,436,259)</u>	<u>(3,387,945)</u>	<u>344,203</u>	<u>55,736</u>	<u>(35,424,265)</u>
Total capital assets being depreciated, net	<u>66,899,333</u>	<u>949,194</u>	<u>(39,977)</u>	<u>(166,350)</u>	<u>67,642,200</u>
Business-type activities capital assets, net	<u>\$ 74,145,739</u>	<u>\$ 3,935,404</u>	<u>\$ (44,799)</u>	<u>\$ (426,340)</u>	<u>\$ 77,610,003</u>

At June 30, 2007, the carrying amount of capital assets acquired under capital leases totaled \$11,298.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 270,974
Public safety	991,627
Public works	5,836,115
Parks and recreation	371,092
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>140,777</u>
Total depreciation expense-governmental activities	<u>\$ 7,610,585</u>
Business-type activities:	
Sewer	\$ 2,639,104
Parking	178,142
Private Development	23,232
Airport	<u>547,467</u>
Total depreciation expense-business-type activities	<u>\$ 3,387,945</u>

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**II. DETAILED NOTES (Continued)**

D. LONG-TERM DEBT  
Governmental Activities:

Amount

Revenue Bonds

2005 Tax Allocation Bonds (2005 TABS) were issued in the amount of \$68,500,000 to finance redevelopment projects in the Chico Amended and Merged Redevelopment Project Area. Interest rates for the remaining term of the 2005 TABS range from 3.50%-5.00%, and payments are due in semi-annual installments on October 1 and April 1, through April 1, 2032. Additionally, term bonds of \$11,655,000, \$19,770,000 and \$14,885,000 are due April 1, 2027, 2030 and 2032, respectively. The Agency is subject to mandatory sinking fund payments ranging from \$5,690,000 to \$7,625,000 beginning 2026 and ending 2032. \$ 68,335,000

2001 Tax Allocation Revenue Bonds (2001 TARBS) were issued in the amount of \$32,060,000 for the purpose of making loans to the Chico Redevelopment Agency to finance redevelopment projects in the Chico Amended and Merged Redevelopment Project Area and to refund the outstanding 1991 Revenue Bonds, Series A. Interest rates for the remaining term of the 2001 TARBS range from 4.00%-5.25%; serial bond payments due in semi-annual installments on October 1 and April 1 through April 1, 2024; term bonds of \$5,255,000 and \$3,890,000 due April 1, 2021 and 2024, respectively. The Agency is subject to mandatory sinking fund payments ranging from \$1,235,000 to \$2,695,000 beginning 2020 and ending 2024. 26,735,000

1996 Tax Allocation Revenue Bonds (1996 TARBS) were issued in the amount of \$29,285,000 for the purpose of making loans to the Chico Redevelopment Agency to finance redevelopment projects in the Chico Amended and Merged Redevelopment Project Area and to refund the outstanding 1986 Tax Allocation Bonds and the 1991 Revenue Bonds, Series B. Interest rates for the remaining term of the 1996 TARBS range from 4.88%-5.50%; due in semi-annual installments on April 1 and October 1, through April 1, 2025. Additionally, term bonds of \$3,560,000, \$2,045,000 and \$11,135,000 are due April 1, 2016, 2019, and 2025, respectively. The Agency is subject to mandatory sinking fund payments ranging from \$650,000 to \$2,595,000 beginning 2014 and ending 2025. 22,340,000

Loan Payable

Governmental portion of loan payable to the State Revolving Fund Loan Program; for the upgrade and expansion of the Water Pollution Control Plant; interest at 2.60%; due in annual installments on October 20, in the amount of \$1,730,272, including interest, through October 20, 2020. 20,089,051

Capital Leases

The City has entered into capital lease agreements for the financing of various machinery and equipment. 12,427

Subtotal 137,511,478

Compensated absences 2,937,674

Claims liability 4,788,110

Total governmental activities \$ 145,237,262

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

D. LONG-TERM DEBT (Continued)

Business-type Activities:

Amount

Parking Fund:

1994 Parking Revenue Bonds were issued in the original amount of \$3,940,000 for the purpose of constructing a three story parking garage and refunding the 1978 bonds. Interest rates for the remaining term of the Parking Revenue Bonds range from 6.0%-6.25%; due in semi-annual installments on February 1 and August 1, through February 1, 2024. \$ 2,255,000

Sewer Fund:

Sewer fund portion of loan payable to the State Revolving Fund Loan Program; for the upgrade of the Water Pollution Control Plant; interest at 2.60%; due in annual installments on October 20, in the amount of \$546,402, including interest, through October 20, 2020. 6,343,910

Subtotal 8,598,910

Compensated absences 466,659

Total business-type activities \$ 9,065,569

Annual debt service requirements to maturity for the revenue bonds and loans payable are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,520,383	\$ 6,259,008	\$ 471,460	\$ 304,725
2009	3,914,363	6,129,740	476,378	289,407
2010	4,136,587	5,984,926	491,554	274,025
2011	4,289,648	5,831,590	511,994	258,073
2012	4,463,569	5,655,232	527,706	241,236
2013-2017	25,303,340	25,404,865	2,879,213	933,624
2018-2022	29,643,588	19,581,909	2,835,605	414,930
2023-2027	27,585,000	12,917,163	405,000	38,438
2028-2032	34,655,000	5,367,500	-	-
Total	<u>\$ 137,511,478</u>	<u>\$ 93,131,933</u>	<u>\$ 8,598,910</u>	<u>\$ 2,754,458</u>

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

**D. LONG-TERM DEBT (Continued)**

The future minimum lease obligations under capital leases and the net present value of these minimum lease payments as of June 30, 2007 was as follows:

	Governmental Activities
Year ending June 30, 2008	\$ 12,588
Total minimum lease payments	12,588
Less amount representing interest	( 161)
Total capital leases	\$ 12,427

The assets acquired through capital leases are as follows:

	Governmental Activities
Equipment	\$ 112,976
Less accumulated depreciation	(101,678)
Net capital assets under capital leases	\$ 11,298

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 119,305,000	\$ -	\$ (1,895,000)	\$ 117,410,000	\$ 2,300,000
Loan payable	21,266,397	-	(1,177,346)	20,089,051	1,207,956
Capital leases	36,458	-	(24,031)	12,427	12,427
Compensated absences	2,515,647	2,451,586	(2,029,559)	2,937,674	255,402
Claim liabilities	3,805,755	2,037,021	(1,054,666)	4,788,110	1,541,807
Subtotal	146,929,257	4,488,607	(6,180,602)	145,237,262	5,317,592
Original issuance premium	961,553	-	(36,983)	924,570	-
Governmental activities long-term liabilities	<u>\$ 147,890,810</u>	<u>\$ 4,488,607</u>	<u>\$ (6,217,585)</u>	<u>\$ 146,161,832</u>	<u>\$ 5,317,592</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 2,340,000	\$ -	\$ (85,000)	\$ 2,255,000	\$ 90,000
Loan payable	6,715,705	-	(371,795)	6,343,910	381,460
Compensated absences	426,466	294,495	(254,302)	466,659	40,572
Subtotal	9,482,171	294,495	(711,097)	9,065,569	512,032
Less deferred amount on refunding	(51,138)	-	2,909	(48,229)	-
Business-type activities long-term liabilities	<u>\$ 9,431,033</u>	<u>\$ 294,495</u>	<u>\$ (708,188)</u>	<u>\$ 9,017,340</u>	<u>\$ 512,032</u>

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**II. DETAILED NOTES (Continued)**

**D. LONG-TERM DEBT (Continued)**

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the internal service funds are included as part of the above totals for governmental activities. At year-end, \$12,427 of internal service funds obligations under capital leases are included in the amounts above. Also, the claims liability balance relates to the internal service funds, and as such will be liquidated by the internal service funds.

Interest charged to expense, in the amount of \$317,948, has been included as a component of the direct expenses of individual functions in the business-type activities on the government-wide statement of activities as the underlying debt has objectives that can be connected to specific programs.

**E. INTERFUND BALANCES**

Interfund balances as of June 30, 2007, consist of the following:

Due to/from other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
General Fund	Capital Grants Fund	\$ 851,461
	Operating Grants Fund	33,622
	Housing Fund	215,003
	Private Development Enterprise Fund	2,710,605
	Airport Enterprise Fund	183,649
	Internal Service Fund	183,957
General Fund Total		<u>\$ 4,178,297</u>
Nonmajor Governmental Funds	Housing Fund	128,703
Total Due to/from other funds:		<u><u>\$ 4,307,000</u></u>

All due to/due from balances, except as noted below, are short-term loans to cover temporary fund cash shortages as of June 30, 2007, and will be repaid early in 2007-08.

The \$128,703 payable to the Nonmajor Governmental Funds from the Housing Fund relates to the Citrus Vecino Storm Drainage project and is to be repaid in 2007-08.

Advances from/to other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
Nonmajor Governmental Funds	Internal Service Fund	<u>\$ 253,732</u>

The \$253,732 payable to the Nonmajor Governmental Funds from the Internal Service Funds relates to the City's telephone system project and is to be repaid over four years.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

**F. RESERVATIONS AND DESIGNATIONS OF FUND BALANCES**

The City's fund balance reservations and designations as of June 30, 2007, are comprised of the following:

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<u>Reserved for:</u>							
Encumbrances	\$ 120,141	\$ 233,631	\$ 1,511,459	\$ 702,572	\$ 6,595,227	\$ 765,957	\$ 9,928,987
Deposits with others	-	-	-	-	840,717	-	840,717
Prepaid items	4,247	-	-	-	54,606	-	58,853
Debt service	-	-	3,460,543	-	1,900,000	8,750,499	14,111,042
Loans receivable	-	3,187,599	-	-	18,377,715	733,513	22,298,827
Advances to other funds	-	-	-	-	-	253,732	253,732
Total reserved	<u>\$ 124,388</u>	<u>\$ 3,421,230</u>	<u>\$ 4,972,002</u>	<u>\$ 702,572</u>	<u>\$ 27,768,265</u>	<u>\$ 10,503,701</u>	<u>\$ 47,492,158</u>
<u>Designated for:</u>							
Emergencies	\$ 5,568,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,568,152
Capital replacement	-	-	-	-	-	798,854	798,854
Total designated	<u>\$ 5,568,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,854</u>	<u>\$ 6,367,006</u>

1. Reserve for encumbrances – Amounts reserved for encumbrances represent the total of outstanding purchase orders and contracts that are scheduled for reappropriation in the next fiscal year.
2. Reserve for deposits with others – Amounts that are set aside for contractor retentions, and which are not available for appropriation.
3. Reserve for prepaid items – Amount represents prepaid expenses, and are not available for appropriation.
4. Reserve for debt service – The total fund balances of the debt service funds and a portion of the Public Facilities Impact Fees Capital Projects Fund are reserved for future debt service requirements.
5. Reserve for loans receivable – Amounts are equal to the outstanding housing program and small business notes receivable in the Housing Special Revenue Fund, Redevelopment Agency Capital Projects Fund and Nonmajor Special Revenue and Capital Projects Funds.
6. Reserve for advances to other funds – Amount represents portion of fund balance for long-term advances to other funds that is not available for appropriation.
7. Designation for capital replacement – Amounts designated for future replacement of maintenance district facilities.

**G. DEFICIT FUND EQUITY**

At June 30, 2007, the funds listed below reported deficit fund balances or net assets:

Fund	Amount
Capital Grants Capital Projects	\$ (1,398,342)
Private Development Enterprise	(3,412,446)
Operating Grants	(84,726)

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**II. DETAILED NOTES (Continued)**

**G. DEFICIT FUND EQUITY (Continued)**

The Capital Grants Capital Projects Fund and Operating Grants Fund deficits represent 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 Private Development Enterprise Fund deficit represents a large increase in professional services, major environmental impact review expenses and an increase in salary expenses. The Private Development Enterprise Fund fees were recently increased to help mitigate future cost increases. The existing deficit will be mitigated over time through interfund transfers from the General Fund.

**H. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2007, expenditures exceeded appropriations in the Tax Special Revenue Fund by \$198,666. These over expenditures were funded by greater than anticipated revenues in that fund.

**I. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers.

Transfers to:	Transfers from:				
	General Fund	Public Facilities Impact Fees	Redevelopment Agency	Nonmajor Governmental Funds	Sewer
General Fund	\$ -	\$ -	\$ 458,885	\$ 4,417,502	\$ 813,919
Nonmajor Governmental	916,303	-	7,377,564	299,141	371,261
Private Development	567,190	44,080	-	-	-
General Government	-	-	-	-	-
<b>Total</b>	<b>\$ 1,483,493</b>	<b>\$ 44,080</b>	<b>\$ 7,836,449</b>	<b>\$ 4,716,643</b>	<b>\$ 1,185,180</b>

Transfers to:	Transfers from:					Total
	Parking	Private Development	Airport	Nonmajor Enter-prise	Internal Service Funds	
General Fund	\$ 109,992	\$ 854,662	\$ 99,373	\$ 8,510	\$ 13,586	\$ 6,776,429
Nonmajor Governmental	23,572	122,059	13,944	-	16,777	9,140,621
Private Development	-	-	-	-	-	611,270
General Government	-	-	-	441,756	-	441,756
<b>Total</b>	<b>\$ 133,564</b>	<b>\$ 976,721</b>	<b>\$ 113,317</b>	<b>\$ 450,266</b>	<b>\$ 30,363</b>	<b>\$ 16,970,076</b>

The Transit Fund (business-type activities) transferred capital assets of \$441,756 to the General Government (governmental activities), which is not reported in the fund financial statements, resulting in transfers not balancing.

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, (3) allocate indirect costs and (4) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**III. OTHER INFORMATION**

**A. 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 fund (self insurance funds) to account for and finance its uninsured risks of loss. Under this program, the general liability program provides coverage 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. Settled claims resulting from these programs have not exceeded the City's excess insurance coverage in any of the past three fiscal years.

The City uses the "internal service fund" method to account for the costs of self-insurance. While the ultimate amount of the costs of self insurance through June 30, 2007, is dependent on future developments, management believes that the aggregate amounts paid to the third party administrator together with reserves on hand and excess coverage as provided are adequate to cover the City's losses, including claims that have been incurred but not reported (IBNR).

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, 2007, 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 \$4,244,942 for insurance losses through June 30, 2007, 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.

	Claims Liability	Current -Year Claims and Changes	Current-Year Payments	Claims Liability
	July 1	in Estimate		June 30
2005-06	\$ 3,004,536	\$ 854,853	\$ (727,522)	\$ 3,131,867
2006-07	3,131,867	2,024,250	(911,175)	4,244,942

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 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.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**III. OTHER INFORMATION (Continued)**

**A. RISK MANAGEMENT (Continued)**

Participating entities share in loss occurrences in excess of \$500,000 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 valued in excess of \$25,000 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, 2007, were \$417,851.

The claims liability reported in the Self Insurance Internal Service Fund at June 30, 2007, was also based on the requirements of GASB Statement No. 10, as described above in Part 1. – Workers’ Compensation Insurance. The City’s provision of \$543,167 for insurance losses represents the estimated cost of settling self-insurance liability claims.

Changes in the claims liability are as follows:

	Claims Liability	Current -Year Claims and Changes	Current-Year	Claims Liability
	July 1	in Estimate	Payments	June 30
2005-06	\$ 617,864	\$ 244,289	\$ (188,265)	\$ 673,888
2006-07	673,888	12,771	(143,492)	543,167

**B. SPECIAL ASSESSMENT DISTRICT BONDS**

The City currently administers two active 1915 Bond Act assessment districts as defined in the State of California Streets and Highway Code. Bonds have been issued for each district and are secured by valid assessment liens upon the properties within the respective districts. Reserves have been established from bond proceeds to meet delinquencies should they occur.

Neither the faith and credit nor taxing power of the City of Chico is pledged to the payment of the bonds. If delinquencies occur in any district beyond the amounts held in the district’s agency fund, the City is under no obligation to make debt service payments from any other funds to cover the delinquencies. The City acts solely as an agent for those paying assessments and the bond holders. Below is a summary of the districts:

Name	Original Assessment	Interest Rates Remaining term	Balance at June 30, 2007
Northeast Chico Sewer Refunding	\$ 5,404,000	8.20%	\$ 1,365,000
Mission Ranch	1,571,085	6.50-6.63%	595,000
Total	<u>\$ 6,975,085</u>		<u>\$ 1,960,000</u>

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**III. OTHER INFORMATION (Continued)**

**C. CONTINGENCIES AND COMMITMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. 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 cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a party to five lawsuits arising out of the contamination of groundwater or real property with hazardous materials which could result in substantial liabilities for hazardous waste investigation and characterization costs and/or remediation costs. After year-end, a settlement agreement was signed by the parties to one of these lawsuits, and the case is anticipated to be completed by December 31, 2007. The City's liability for this settlement will be \$600,000. At the present time it is unclear what the full extent of the City's liability is for the remaining four lawsuits. The amount claimed by the plaintiffs in these matters is approximately \$58 million, the majority of which is for one specific lawsuit.

Construction and contractual commitments for major construction projects at June 30, 2007 totaled \$5,675,626 and are included in the encumbrances shown in Note II F.

**D. DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Chico contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its Executive Office, PO Box 942701, Sacramento, California 94229-2701.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City is required to contribute at an actuarially determined rate. For fiscal year 2006-07, the rate was 19.682% for miscellaneous employees and 25.326% for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost of \$2,720,279 and \$2,935,180 for the CalPERS Miscellaneous and Safety Plans, respectively, was equal to the City's actual and required contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service from 3.25% to 14.45% for miscellaneous members (from 3.25% to 13.15% for safety members), and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3% and a payroll growth component of 3.25%.

**CITY OF CHICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**III. OTHER INFORMATION (Continued)**

**D. DEFINED BENEFIT PENSION PLAN (Continued)**

The actuarial value of the CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Unfunded actuarial liabilities (or excess assets) are being amortized as a level percentage of projected payroll costs on a closed basis. The remaining amortization period as of the valuation date was 30 and 32 years for the Miscellaneous and Safety Plans respectively.

**THREE-YEAR TREND INFORMATION FOR PERS**

Year Ended	Miscellaneous Plan			Safety Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	2,198,599	100%	-	2,559,564	100%	-
6/30/06	2,749,745	100%	-	3,035,992	100%	-
6/30/07	2,720,279	100%	-	2,935,180	100%	-

**E. ARBITRAGE**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. Arbitrage calculations are performed by MuniFinancial. As of June 30, 2007, the City does not have any arbitrage liability.

**F. DISCONTINUATION OF TRANSIT SERVICES**

Effective July 1, 2005, transit operations of the City were transferred to Butte County Association of Governments (BCAG) due to the countywide consolidation of transit services within Butte County. In 2006-07, the City transferred the balance of rolling stock to BCAG resulting in a loss of \$39,978. The construction in progress for the transit center was transferred to the City, which is completing the project.

**G. RECLASSIFICATION**

**H. SUBSEQUENT EVENT**

On July 10, 2007, the Chico Redevelopment Agency issued \$23,405,000 of 2007 Tax Allocation Refunding Bonds to refund the 1996 Tax Allocation Revenue Bonds (1996 TARBS) in October 2007.



**CITY OF CHICO, CALIFORNIA  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
YEAR ENDED JUNE 30, 2007**

Miscellaneous Plan:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Asset Value	Unfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/03	66,228,526	53,279,657	12,948,869	80.4%	12,223,941	105.9%
6/30/04	74,370,533	58,082,900	16,287,633	78.1%	13,033,889	125.0%
6/30/05	83,548,394	64,567,789	18,980,605	77.3%	13,628,915	139.3%

Safety Plan:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Asset Value	Unfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/03	68,945,613	57,061,751	11,883,862	82.8%	10,165,028	116.9%
6/30/04	76,831,379	62,656,034	14,175,345	81.6%	10,929,651	129.7%
6/30/05	84,630,272	68,904,786	15,725,486	81.4%	11,444,106	137.4%

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

#### **Operating Grants**

Accounts for a variety of governmental fund operating grants, including law enforcement grants.

#### **Community Maintenance Districts**

Accounts for maintenance and operation of specified public improvements.

#### **Transportation**

Accounts for Transportation Development Act funding for the planning, development, construction and maintenance of street/road and bicycle/pedestrian projects.

#### **Gas Tax**

Accounts for revenues and expenditures apportioned under the Streets and Highway Code, Sections 2105, 2106, 2107 and 2107.5 for administration, maintenance, and construction which is street-related and Transportation Congestion Relief monies.

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 21<sup>st</sup> Century.

#### **Other Special Revenue**

Accounts for comparatively smaller special revenue funds including traffic safety, asset forfeiture, private activity revenue bond reserve and assessment district administration fund.

### **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.

#### **General Plan Reserve**

Accounts for general plan revisions.

#### **Equipment Replacement and Facility Maintenance**

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

### **DEBT SERVICE FUNDS**

#### **1996 CPFA TARBS Debt Service**

Accounts for the payment of debt service for the 1996 Chico Public Financing Authority (CPFA) Tax Allocation Revenue Bonds (TARBS) issued to finance projects for the Chico Merged Redevelopment Project Area as authorized by the Chico Redevelopment Agency.

## **NONMAJOR GOVERNMENTAL FUNDS** (Continued)

### **2001 CPFA TARBS Debt Service**

Accounts for the payment of debt service for the 2001 Chico Public Financing Authority (CPFA) Tax Allocation Revenue Bonds (TARBS) issued to finance projects for the Chico Merged Redevelopment Project Area as authorized by the Chico Redevelopment Agency.

### **2001 L&MIH Debt Service**

Accounts for the payment of debt service for the 2001 Chico Public Housing Authority (CPFA) Tax Allocation Revenue Bonds (TARBS) issued to finance projects authorized by the Chico Merged Redevelopment Project Area's Low and Moderate Income Housing Program.

### **2005 TABS Debt Service**

Accounts for the payment of debt service for the 2005 Tax Allocation Bonds (TABS) issued to finance projects for the Chico Merged Redevelopment Project Area as authorized by the Chico Redevelopment Agency.

### **Chico RDA Bond Reserves**

Accounts for monies held for reserves, as required by the bond indentures for the 1996 and 2001 CPFA TARBS bonds and the 2005 Redevelopment Agency TABS bonds.



**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,793,345	\$ -	\$ 9,862,170	\$ 14,655,515
Receivables:				
Taxes	30,250	-	1,360	31,610
Accounts	-	-	30,760	30,760
Intergovernmental	465,650	-	314	465,964
Loans	77,397	-	656,116	733,513
Due from other funds	-	-	128,703	128,703
Advances to other funds	253,732	-	-	253,732
Restricted assets:				
Cash and investments	-	8,750,499	-	8,750,499
Total assets	<u>\$ 5,620,374</u>	<u>\$ 8,750,499</u>	<u>\$ 10,679,423</u>	<u>\$ 25,050,296</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 86,281	\$ -	\$ 436,134	\$ 522,415
Accrued salaries and benefits	4,882	-	49,014	53,896
Intergovernmental payable	12,918	-	-	12,918
Due to other funds	33,622	-	-	33,622
Deferred revenue	136,841	-	-	136,841
Total liabilities	<u>274,544</u>	<u>-</u>	<u>485,148</u>	<u>759,692</u>
Fund balances:				
Reserved for:				
Encumbrances	93,139	-	672,818	765,957
Debt service	-	8,750,499	-	8,750,499
Loans receivable	77,397	-	656,116	733,513
Advances to other funds	253,732	-	-	253,732
Unreserved/designated for:				
Capital replacement	798,854	-	-	798,854
Unreserved/undesignated	4,122,708	-	8,865,341	12,988,049
Total fund balances	<u>5,345,830</u>	<u>8,750,499</u>	<u>10,194,275</u>	<u>24,290,604</u>
Total liabilities and fund balances	<u>\$ 5,620,374</u>	<u>\$ 8,750,499</u>	<u>\$ 10,679,423</u>	<u>\$ 25,050,296</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Intergovernmental	\$ 6,266,177	\$ -	\$ -	\$ 6,266,177
Charges for services	850,501	-	1,507,784	2,358,285
Fines, forfeitures, and penalties	96,942	-	-	96,942
Use of money and property	302,925	414,389	408,890	1,126,204
Miscellaneous	77	-	-	77
Total revenues	<u>7,516,622</u>	<u>414,389</u>	<u>1,916,674</u>	<u>9,847,685</u>
<b>EXPENDITURES:</b>				
Current:				
General government	12,798	-	215,187	227,985
Public safety	242,600	-	-	242,600
Public works	4,507,136	-	697,638	5,204,774
Community development	-	-	259,870	259,870
Capital outlay	84,591	-	1,309,153	1,393,744
Debt service:				
Principal retirement	-	1,895,000	-	1,895,000
Interest and fiscal charges	-	5,825,416	-	5,825,416
Total expenditures	<u>4,847,125</u>	<u>7,720,416</u>	<u>2,481,848</u>	<u>15,049,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,669,497</u>	<u>(7,306,027)</u>	<u>(565,174)</u>	<u>(5,201,704)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	36,525	7,676,705	1,427,391	9,140,621
Transfers out	<u>(3,412,681)</u>	<u>(299,141)</u>	<u>(1,004,821)</u>	<u>(4,716,643)</u>
Total other financing sources (uses)	<u>(3,376,156)</u>	<u>7,377,564</u>	<u>422,570</u>	<u>4,423,978</u>
Net change in fund balances	(706,659)	71,537	(142,604)	(777,726)
Fund balances, beginning of year	<u>6,052,489</u>	<u>8,678,962</u>	<u>10,336,879</u>	<u>25,068,330</u>
Fund balances, end of year	<u>\$ 5,345,830</u>	<u>\$ 8,750,499</u>	<u>\$ 10,194,275</u>	<u>\$ 24,290,604</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2007**

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 1,135,361	\$ 1,116,112	\$ 1,923,394	\$ 618,478	\$ 4,793,345
Receivables:						
Taxes	-	30,250	-	-	-	30,250
Intergovernmental	86,117	-	333,305	33,950	12,278	465,650
Loans	-	-	-	-	77,397	77,397
Advances to other funds	-	-	-	-	253,732	253,732
 Total assets	<u>\$ 86,117</u>	<u>\$ 1,165,611</u>	<u>\$ 1,449,417</u>	<u>\$ 1,957,344</u>	<u>\$ 961,885</u>	<u>\$ 5,620,374</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 380	\$ 28,429	\$ 4,908	\$ 52,564	\$ -	\$ 86,281
Accrued salaries and benefits	-	1,369	3,513	-	-	4,882
Intergovernmental payable	-	-	12,918	-	-	12,918
Due to other funds	33,622	-	-	-	-	33,622
Deferred revenue	136,841	-	-	-	-	136,841
 Total liabilities	<u>170,843</u>	<u>29,798</u>	<u>21,339</u>	<u>52,564</u>	<u>-</u>	<u>274,544</u>
Fund balances (deficit):						
Reserved for:						
Encumbrances	-	-	13,553	79,586	-	93,139
Loans receivable	-	-	-	-	77,397	77,397
Advances to other funds	-	-	-	-	253,732	253,732
Unreserved/designated for:						
Capital replacement	-	798,854	-	-	-	798,854
Unreserved/undesignated	(84,726)	336,959	1,414,525	1,825,194	630,756	4,122,708
 Total fund balances (deficit)	<u>(84,726)</u>	<u>1,135,813</u>	<u>1,428,078</u>	<u>1,904,780</u>	<u>961,885</u>	<u>5,345,830</u>
 Total liabilities and fund balances (deficit)	<u>\$ 86,117</u>	<u>\$ 1,165,611</u>	<u>\$ 1,449,417</u>	<u>\$ 1,957,344</u>	<u>\$ 961,885</u>	<u>\$ 5,620,374</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2007**

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>						
Intergovernmental	\$ 230,226	\$ -	\$ 3,417,220	\$ 2,618,731	\$ -	\$ 6,266,177
Charges for services	-	845,501	-	-	5,000	850,501
Fines, forfeitures, and penalties	-	-	-	-	96,942	96,942
Use of money and property	453	50,700	47,484	177,931	26,357	302,925
Miscellaneous	-	-	-	-	77	77
Total revenues	<u>230,679</u>	<u>896,201</u>	<u>3,464,704</u>	<u>2,796,662</u>	<u>128,376</u>	<u>7,516,622</u>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	12,798	12,798
Public safety	242,600	-	-	-	-	242,600
Public works	-	515,923	2,004,099	1,987,114	-	4,507,136
Capital outlay	74,694	-	-	9,897	-	84,591
Total expenditures	<u>317,294</u>	<u>515,923</u>	<u>2,004,099</u>	<u>1,997,011</u>	<u>12,798</u>	<u>4,847,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,615)</u>	<u>380,278</u>	<u>1,460,605</u>	<u>799,651</u>	<u>115,578</u>	<u>2,669,497</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	23,607	12,918	-	-	36,525
Transfers out	-	(96,492)	(740,410)	(2,482,000)	(93,779)	(3,412,681)
Total other financing sources (uses)	<u>-</u>	<u>(72,885)</u>	<u>(727,492)</u>	<u>(2,482,000)</u>	<u>(93,779)</u>	<u>(3,376,156)</u>
Net change in fund balances (deficit)	(86,615)	307,393	733,113	(1,682,349)	21,799	(706,659)
Fund balances (deficit), beginning of year	1,889	828,420	694,965	3,587,129	940,086	6,052,489
Fund balances (deficit), end of year	<u>\$ (84,726)</u>	<u>\$ 1,135,813</u>	<u>\$ 1,428,078</u>	<u>\$ 1,904,780</u>	<u>\$ 961,885</u>	<u>\$ 5,345,830</u>

**CITY OF CHICO, CALIFORNIA  
OPERATING GRANTS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 347,355	\$ 468,687	\$ 230,226	\$ (238,461)
Use of money and property	509	509	453	(56)
Total revenues	<u>347,864</u>	<u>469,196</u>	<u>230,679</u>	<u>(238,517)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	294,165	315,841	242,600	73,241
Capital outlay	74,555	130,876	74,694	56,182
Total expenditures	<u>368,720</u>	<u>446,717</u>	<u>317,294</u>	<u>129,423</u>
Net change in fund balance (deficit)	(20,856)	22,479	(86,615)	(109,094)
Fund balance (deficit), beginning of year	<u>1,889</u>	<u>1,889</u>	<u>1,889</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (18,967)</u></u>	<u><u>\$ 24,368</u></u>	<u><u>\$ (84,726)</u></u>	<u><u>\$ (109,094)</u></u>

**CITY OF CHICO, CALIFORNIA**  
**COMMUNITY MAINTENANCE DISTRICTS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Charges for services	\$ 915,362	\$ 915,362	\$ 845,501	\$ (69,861)
Use of money and property	21,191	21,191	50,700	29,509
Total revenues	<u>936,553</u>	<u>936,553</u>	<u>896,201</u>	<u>(40,352)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	688,860	692,265	515,923	176,342
Total expenditures	<u>688,860</u>	<u>692,265</u>	<u>515,923</u>	<u>176,342</u>
Excess of revenues over expenditures	<u>247,693</u>	<u>244,288</u>	<u>380,278</u>	<u>135,990</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,030	4,030	23,607	19,577
Transfers out	<u>(96,492)</u>	<u>(96,492)</u>	<u>(96,492)</u>	<u>-</u>
Total other financing sources (uses)	<u>(92,462)</u>	<u>(92,462)</u>	<u>(72,885)</u>	<u>19,577</u>
Net change in fund balance	155,231	151,826	307,393	155,567
Fund balance, beginning of year	<u>828,420</u>	<u>828,420</u>	<u>828,420</u>	<u>-</u>
Fund balance, end of year	<u>\$ 983,651</u>	<u>\$ 980,246</u>	<u>\$ 1,135,813</u>	<u>\$ 155,567</u>

**CITY OF CHICO, CALIFORNIA  
TRANSPORTATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 2,761,448	\$3,236,399	\$ 3,417,220	\$ 180,821
Use of money and property	8,717	8,717	47,484	38,767
Total revenues	<u>2,770,165</u>	<u>3,245,116</u>	<u>3,464,704</u>	<u>219,588</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	2,347,022	2,379,831	2,004,099	375,732
Capital outlay	104,040	123,029	-	123,029
Total expenditures	<u>2,451,062</u>	<u>2,502,860</u>	<u>2,004,099</u>	<u>498,761</u>
Excess of revenues over expenditures	<u>319,103</u>	<u>742,256</u>	<u>1,460,605</u>	<u>718,349</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	20,000	20,000	12,918	(7,082)
Transfers out	(437,122)	(740,410)	(740,410)	-
Total other financing sources (uses)	<u>(417,122)</u>	<u>(720,410)</u>	<u>(727,492)</u>	<u>(7,082)</u>
Net change in fund balance	(98,019)	21,846	733,113	711,267
Fund balance, beginning of year	<u>694,965</u>	<u>694,965</u>	<u>694,965</u>	<u>-</u>
Fund balance, end of year	<u>\$ 596,946</u>	<u>\$ 716,811</u>	<u>\$ 1,428,078</u>	<u>\$ 711,267</u>

**CITY OF CHICO, CALIFORNIA  
GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 2,454,550	\$ 2,454,550	\$ 2,618,731	\$ 164,181
Use of money and property	<u>67,047</u>	<u>67,047</u>	<u>177,931</u>	<u>110,884</u>
Total revenues	<u>2,521,597</u>	<u>2,521,597</u>	<u>2,796,662</u>	<u>275,065</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	1,771,356	1,787,635	1,987,114	(199,479)
Capital outlay	<u>10,710</u>	<u>10,710</u>	<u>9,897</u>	<u>813</u>
Total expenditures	<u>1,782,066</u>	<u>1,798,345</u>	<u>1,997,011</u>	<u>(198,666)</u>
Excess of revenues over expenditures	739,531	723,252	799,651	76,399
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(2,383,000)</u>	<u>(2,482,000)</u>	<u>(2,482,000)</u>	<u>-</u>
Net change in fund balance	(1,643,469)	(1,758,748)	(1,682,349)	76,399
Fund balance, beginning of year	<u>3,587,129</u>	<u>3,587,129</u>	<u>3,587,129</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,943,660</u></u>	<u><u>\$ 1,828,381</u></u>	<u><u>\$ 1,904,780</u></u>	<u><u>\$ 76,399</u></u>

**CITY OF CHICO, CALIFORNIA  
OTHER SPECIAL REVENUE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Charges for services	\$ -	\$ -	\$ 5,000	\$ 5,000
Fines, forfeitures, and penalties	97,950	97,950	96,942	(1,008)
Use of money and property	37,632	37,632	26,357	(11,275)
Miscellaneous	2,620	2,620	77	(2,543)
Total revenues	<u>138,202</u>	<u>138,202</u>	<u>128,376</u>	<u>(9,826)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	12,037	12,037	12,798	(761)
Capital outlay	-	38,447	-	38,447
Total expenditures	<u>12,037</u>	<u>50,484</u>	<u>12,798</u>	<u>37,686</u>
Excess of revenues over expenditures	126,165	87,718	115,578	27,860
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(102,319)</u>	<u>(102,319)</u>	<u>(93,779)</u>	<u>8,540</u>
Net change in fund balance	23,846	(14,601)	21,799	36,400
Fund balance, beginning of year	<u>940,086</u>	<u>940,086</u>	<u>940,086</u>	<u>-</u>
Fund balance, end of year	<u>\$ 963,932</u>	<u>\$ 925,485</u>	<u>\$ 961,885</u>	<u>\$ 36,400</u>

**CITY OF CHICO, CALIFORNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2007**

	1996 Tax Allocation Revenue Bonds	2001 Tax Allocation Revenue Bonds	2005 Tax Allocation Bonds	2001 Low and Moderate Income Housing Bonds	Chico RDA Bond Reserves	Total Nonmajor Debt Service Funds
<b>ASSETS</b>						
Restricted cash and investments	\$ 77,400	\$ 43,170	\$ 5,111	\$ -	\$ 8,624,818	\$ 8,750,499
<b>FUND BALANCES</b>						
Reserved for:						
Debt service	\$ 77,400	\$ 43,170	\$ 5,111	\$ -	\$ 8,624,818	\$ 8,750,499

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007**

	1996 Tax Allocation Revenue Bonds	2001 Tax Allocation Revenue Bonds	2005 Tax Allocation Bonds	2001 Low and Moderate Income Housing Bonds	Chico RDA Bond Reserves	Total Nonmajor Debt Service Funds
<b>REVENUES:</b>						
Use of money and property	\$ 8,071	\$ 6,564	\$ 7,325	\$ -	\$ 392,429	\$ 414,389
<b>EXPENDITURES:</b>						
Debt service:						
Principal retirement	780,000	790,495	165,000	159,505	-	1,895,000
Interest and fiscal charges	1,244,245	1,116,111	3,239,853	225,207	-	5,825,416
Total expenditures	2,024,245	1,906,606	3,404,853	384,712	-	7,720,416
Excess (deficiency) of revenues over (under) expenditures	(2,016,174)	(1,900,042)	(3,397,528)	(384,712)	392,429	(7,306,027)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	1,989,384	1,915,692	3,386,917	384,712	-	7,676,705
Transfers out	-	-	-	-	(299,141)	(299,141)
Total other financing sources (uses)	1,989,384	1,915,692	3,386,917	384,712	(299,141)	7,377,564
Net change in fund balance	(26,790)	15,650	(10,611)	-	93,288	71,537
Fund balance, beginning of year	104,190	27,520	15,722	-	8,531,530	8,678,962
Fund balance, end of year	<u>\$ 77,400</u>	<u>\$ 43,170</u>	<u>\$ 5,111</u>	<u>\$ -</u>	<u>\$ 8,624,818</u>	<u>\$ 8,750,499</u>

**CITY OF CHICO, CALIFORNIA**  
**1996 TAX ALLOCATION REVENUE BONDS DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	\$ 4,650	\$ 4,650	\$ 8,071	\$ 3,421
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	780,000	780,000	780,000	-
Interest and fiscal charges	1,244,330	1,244,330	1,244,245	85
Total expenditures	2,024,330	2,024,330	2,024,245	85
Deficiency of revenues under expenditures	(2,019,680)	(2,019,680)	(2,016,174)	3,506
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	2,019,680	1,915,490	1,989,384	73,894
Net change in fund balance	-	(104,190)	(26,790)	77,400
Fund balance, beginning of year	104,190	104,190	104,190	-
Fund balance, end of year	\$ 104,190	\$ -	\$ 77,400	\$ 77,400

**CITY OF CHICO, CALIFORNIA**  
**2001 TAX ALLOCATION REVENUE BONDS DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	\$ 2,300	\$ 2,300	\$ 6,564	\$ 4,264
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	790,495	790,495	790,495	-
Interest and fiscal charges	1,116,160	1,116,161	1,116,111	50
Total expenditures	1,906,655	1,906,656	1,906,606	50
Deficiency of revenues under expenditures	(1,904,355)	(1,904,356)	(1,900,042)	4,314
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,904,355	1,876,836	1,915,692	38,856
Net change in fund balance	-	(27,520)	15,650	43,170
Fund balance, beginning of year	27,520	27,520	27,520	-
Fund balance, end of year	\$ 27,520	\$ -	\$ 43,170	\$ 43,170

**CITY OF CHICO, CALIFORNIA**  
**2005 TAX ALLOCATION BONDS DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	\$ -	\$ -	\$ 7,325	\$ 7,325
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	165,000	165,000	165,000	-
Interest and fiscal charges	3,240,628	3,240,627	3,239,853	774
Total expenditures	3,405,628	3,405,627	3,404,853	774
Deficiency of revenues under expenditures	(3,405,628)	(3,405,627)	(3,397,528)	8,099
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	3,405,628	3,389,905	3,386,917	(2,988)
Net change in fund balance	-	(15,722)	(10,611)	5,111
Fund balance, beginning of year	15,722	15,722	15,722	-
Fund balance, end of year	\$ 15,722	\$ -	\$ 5,111	\$ 5,111

**CITY OF CHICO, CALIFORNIA**  
**2001 LOW AND MODERATE INCOME HOUSING BONDS DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
Debt service:				
Principal retirement	\$ 159,505	\$ 159,505	\$ 159,505	\$ -
Interest and fiscal charges	<u>225,213</u>	<u>225,213</u>	<u>225,207</u>	<u>6</u>
Total expenditures	<u>384,718</u>	<u>384,718</u>	<u>384,712</u>	<u>6</u>
Deficiency of revenues under expenditures	(384,718)	(384,718)	(384,712)	6
OTHER FINANCING SOURCES:				
Transfers in	<u>384,718</u>	<u>384,718</u>	<u>384,712</u>	<u>(6)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF CHICO, CALIFORNIA  
CHICO RDA BOND RESERVES DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

	<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	\$ 397,650	\$ 397,650	\$ 392,429	\$ (5,221)
OTHER FINANCING USES:				
Transfers out	<u>(397,650)</u>	<u>(413,468)</u>	<u>(299,141)</u>	<u>114,327</u>
Net change in fund balance	-	(15,818)	93,288	109,106
Fund balance, beginning of year	<u>8,531,530</u>	<u>8,531,530</u>	<u>8,531,530</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,531,530</u>	<u>\$ 8,515,712</u>	<u>\$ 8,624,818</u>	<u>\$ 109,106</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2007**

	<u>Capital Improvements</u>	<u>General Plan Reserve</u>	<u>Fleet Replacement and Facility Maintenance</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 4,838,073	\$ 1,047,896	\$ 3,976,201	\$ 9,862,170
Receivables:				
Taxes	1,360	-	-	1,360
Accounts	30,760	-	-	30,760
Intergovernmental	314	-	-	314
Loans	-	-	656,116	656,116
Due from other funds	-	-	128,703	128,703
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 4,870,507</u>	<u>\$ 1,047,896</u>	<u>\$ 4,761,020</u>	<u>\$ 10,679,423</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 431,876	\$ -	\$ 4,258	\$ 436,134
Accrued salaries and benefits	49,014	-	-	49,014
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>480,890</u>	<u>-</u>	<u>4,258</u>	<u>485,148</u>
Fund balances:				
Reserved for:				
Encumbrances	358,292	-	314,526	672,818
Loans receivable	-	-	656,116	656,116
Unreserved/undesignated	4,031,325	1,047,896	3,786,120	8,865,341
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>4,389,617</u>	<u>1,047,896</u>	<u>4,756,762</u>	<u>10,194,275</u>
Total liabilities and fund balances	<u>\$ 4,870,507</u>	<u>\$ 1,047,896</u>	<u>\$ 4,761,020</u>	<u>\$ 10,679,423</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Capital Improvements	General Plan Reserve	Fleet Replacement and Facility Maintenance	Total Nonmajor Capital Projects Funds
<b>REVENUES:</b>				
Charges for services	\$ 1,507,784	\$ -	\$ -	\$ 1,507,784
Use of money and property	201,799	36,371	170,720	408,890
Total revenues	<u>1,709,583</u>	<u>36,371</u>	<u>170,720</u>	<u>1,916,674</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	215,187	215,187
Public works	697,638	-	-	697,638
Community development	238,140	21,730	-	259,870
Capital outlay	94,562	-	1,214,591	1,309,153
Total expenditures	<u>1,030,340</u>	<u>21,730</u>	<u>1,429,778</u>	<u>2,481,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>679,243</u>	<u>14,641</u>	<u>(1,259,058)</u>	<u>(565,174)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	400,000	225,000	802,391	1,427,391
Transfers out	(1,004,821)	-	-	(1,004,821)
Total other financing sources (uses)	<u>(604,821)</u>	<u>225,000</u>	<u>802,391</u>	<u>422,570</u>
Net change in fund balances	74,422	239,641	(456,667)	(142,604)
Fund balances, beginning of year	<u>4,315,195</u>	<u>808,255</u>	<u>5,213,429</u>	<u>10,336,879</u>
Fund balances, end of year	<u>\$ 4,389,617</u>	<u>\$ 1,047,896</u>	<u>\$ 4,756,762</u>	<u>\$ 10,194,275</u>



## **NONMAJOR ENTERPRISE FUNDS**

### **TRANSIT**

Accounts for public transportation systems operations and equipment funded by Transportation Development Act (TDA) funds and Federal Transit Administration (FTA) Section 5307 Urbanized Funding Formula funds allocated from Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21).

### **WASTE MANAGEMENT**

Accounts for solid waste management and recycling activities and household hazardous materials waste recycling and disposal activities.

**CITY OF CHICO, CALIFORNIA  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2007**

	Transit	Household Hazardous Materials	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 167,714	\$ 167,714
<b>NET ASSETS</b>			
Unrestricted	\$ -	\$ 167,714	\$ 167,714

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2007**

	Transit	Household Hazardous Materials	Total Nonmajor Enterprise Funds
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	\$ -	\$ 1,628	\$ 1,628
Other expenses	-	761	761
Total operating expenses	-	2,389	2,389
Operating loss	-	(2,389)	(2,389)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment earnings	-	7,753	7,753
Gain (loss) on disposal of capital assets	(39,978)	-	(39,978)
Total nonoperating revenues (expenses)	(39,978)	7,753	(32,225)
Income (loss) before contributions and transfers	(39,978)	5,364	(34,614)
Transfers out	(441,756)	(8,510)	(450,266)
Change in net assets	(481,734)	(3,146)	(484,880)
Net assets, beginning of year	481,734	170,860	652,594
Net assets, end of year	\$ -	\$ 167,714	\$ 167,714

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2007**

	Transit	Household Hazardous Materials	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and claimants	\$ -	\$ (773)	\$ (773)
Payments to employees	-	(1,628)	(1,628)
Net cash used by operating activities	-	(2,401)	(2,401)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers out	-	(8,510)	(8,510)
Net cash used by noncapital financing activities	-	(8,510)	(8,510)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	-	7,753	7,753
Net decrease in cash and investments	-	(3,158)	(3,158)
CASH AND INVESTMENTS, beginning of year	-	170,872	170,872
CASH AND INVESTMENTS, end of year	\$ -	\$ 167,714	\$ 167,714
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ -	\$ (2,389)	\$ (2,389)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Accounts payable	-	(12)	(12)
Net cash used by operating activities	\$ -	\$ (2,401)	\$ (2,401)



## **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.



**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2007**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 7,082,805	\$ -	\$ 88,500	\$ 115,796	\$ 7,287,101
Receivables:					
Accounts	-	767	-	-	767
Intergovernmental	-	113,970	-	-	113,970
Inventories	-	42,790	-	-	42,790
Other assets	233,038	-	-	38,104	271,142
Total current assets	<u>7,315,843</u>	<u>157,527</u>	<u>88,500</u>	<u>153,900</u>	<u>7,715,770</u>
Noncurrent assets:					
Restricted cash and investments	85,000	-	-	-	85,000
Land and construction in progress	-	30,391	-	-	30,391
Other capital assets, net of accumulated depreciation	-	163,646	-	293,057	456,703
Total noncurrent assets	<u>85,000</u>	<u>194,037</u>	<u>-</u>	<u>293,057</u>	<u>572,094</u>
 Total assets	 <u>7,400,843</u>	 <u>351,564</u>	 <u>88,500</u>	 <u>446,957</u>	 <u>8,287,864</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	90,914	113,637	53,584	22,074	280,209
Accrued salaries and benefits	6,171	9,761	5,959	22,468	44,359
Intergovernmental payable	-	-	-	17,160	17,160
Due to other funds	-	183,957	-	-	183,957
Compensated absences - current portion	2,349	3,843	2,518	10,354	19,064
Claims liability - current portion	1,541,807	-	-	-	1,541,807
Capital leases - current portion	-	-	-	12,427	12,427
Total current liabilities	<u>1,641,241</u>	<u>311,198</u>	<u>62,061</u>	<u>84,483</u>	<u>2,098,983</u>
Noncurrent liabilities:					
Advances from other funds	-	-	-	253,732	253,732
Compensated absences	24,669	40,366	26,439	108,742	200,216
Claims liability	3,246,302	-	-	-	3,246,302
Total noncurrent liabilities	<u>3,270,971</u>	<u>40,366</u>	<u>26,439</u>	<u>362,474</u>	<u>3,700,250</u>
 Total liabilities	 <u>4,912,212</u>	 <u>351,564</u>	 <u>88,500</u>	 <u>446,957</u>	 <u>5,799,233</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	194,037	-	280,630	474,667
Unrestricted	2,488,631	(194,037)	-	(280,630)	2,013,964
 Total net assets	 <u>\$ 2,488,631</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,488,631</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>OPERATING REVENUES:</b>					
Charges for services - internal	\$ 3,980,848	\$ 1,782,225	\$ 1,005,159	\$ 1,826,571	\$ 8,594,803
Charges for services - external	-	606,329	-	-	606,329
Total operating revenues	<u>3,980,848</u>	<u>2,388,554</u>	<u>1,005,159</u>	<u>1,826,571</u>	<u>9,201,132</u>
<b>OPERATING EXPENSES:</b>					
Salaries and benefits	887,089	748,566	416,338	1,203,197	3,255,190
Materials and supplies	1,199	1,389,477	254,708	53,627	1,699,011
Purchased services	909,281	127,706	283,220	254,219	1,574,426
Other expenses	1,971,680	90,695	32,033	195,915	2,290,323
Depreciation	-	21,164	-	119,613	140,777
Total operating expenses	<u>3,769,249</u>	<u>2,377,608</u>	<u>986,299</u>	<u>1,826,571</u>	<u>8,959,727</u>
Operating income	<u>211,599</u>	<u>10,946</u>	<u>18,860</u>	<u>-</u>	<u>241,405</u>
<b>NONOPERATING REVENUES:</b>					
Investment earnings	259,320	-	-	-	259,320
Miscellaneous	101,924	557	-	-	102,481
Total nonoperating revenues	<u>361,244</u>	<u>557</u>	<u>-</u>	<u>-</u>	<u>361,801</u>
Income before contributions and transfers	572,843	11,503	18,860	-	603,206
Transfers out	<u>-</u>	<u>(11,503)</u>	<u>(18,860)</u>	<u>-</u>	<u>(30,363)</u>
Change in net assets	572,843	-	-	-	572,843
Net assets, beginning of year	<u>1,915,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,915,788</u>
Net assets, end of year	<u>\$ 2,488,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,488,631</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from services provided	\$ 4,093,208	\$ 2,410,378	\$ 1,005,159	\$ 1,826,571	\$ 9,335,316
Payments to suppliers and claimants	(1,886,706)	(1,597,306)	(565,925)	(507,288)	(4,557,225)
Payments to employees	(881,592)	(761,545)	(402,273)	(1,181,611)	(3,227,021)
Net cash provided by operating activities	<u>1,324,910</u>	<u>51,527</u>	<u>36,961</u>	<u>137,672</u>	<u>1,551,070</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Interfund borrowings	-	13,642	-	(154,626)	(140,984)
Transfers out	-	(11,503)	(18,860)	-	(30,363)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>2,139</u>	<u>(18,860)</u>	<u>(154,626)</u>	<u>(171,347)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	-	(53,666)	-	-	(53,666)
Principal paid on long-term debt	-	-	-	(24,031)	(24,031)
Net cash used by capital and related financing activities	<u>-</u>	<u>(53,666)</u>	<u>-</u>	<u>(24,031)</u>	<u>(77,697)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	<u>259,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,320</u>
Net increase (decrease) in cash and investments	1,584,230	-	18,101	(40,985)	1,561,346
CASH AND INVESTMENTS, beginning of year	<u>5,583,575</u>	<u>-</u>	<u>70,399</u>	<u>156,781</u>	<u>5,810,755</u>
CASH AND INVESTMENTS, end of year	<u><u>\$ 7,167,805</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 88,500</u></u>	<u><u>\$ 115,796</u></u>	<u><u>\$ 7,372,101</u></u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS:</b>					
Cash and investments	\$ 7,082,805	\$ -	\$ 88,500	\$ 115,796	\$ 7,287,101
Restricted cash and investments	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
CASH AND INVESTMENTS, end of year	<u><u>\$ 7,167,805</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 88,500</u></u>	<u><u>\$ 115,796</u></u>	<u><u>\$ 7,372,101</u></u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Self Insurance</u>	<u>Central Garage</u>	<u>Municipal Building Maintenance</u>	<u>Information Services</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME					
TO NET CASH PROVIDED					
BY OPERATING ACTIVITIES:					
Operating income	\$ 211,599	\$ 10,946	\$ 18,860	\$ -	\$ 241,405
Adjustments to reconcile operating income to					
net cash provided by operating activities:					
Depreciation	-	21,164	-	119,613	140,777
Miscellaneous revenue	101,924	557	-	-	102,481
Changes in assets and liabilities:					
Accounts receivable	450	484	-	-	934
Intergovernmental receivable	9,986	20,783	-	-	30,769
Inventories	-	1,234	-	-	1,234
Other assets	(14,776)	-	-	(33,906)	(48,682)
Accounts payable	28,810	11,069	4,036	13,219	57,134
Accrued salaries and benefits	3,023	(1,386)	952	3,196	5,785
Intergovernmental payable	(934)	(1,731)	-	17,160	14,495
Compensated absences	2,474	(11,593)	13,113	18,390	22,384
Claims liability	982,354	-	-	-	982,354
Total adjustments	<u>1,113,311</u>	<u>40,581</u>	<u>18,101</u>	<u>137,672</u>	<u>1,309,665</u>
Net cash provided by operating activities	<u>\$ 1,324,910</u>	<u>\$ 51,527</u>	<u>\$ 36,961</u>	<u>\$ 137,672</u>	<u>\$ 1,551,070</u>



**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Assessment Districts			Balance, June 30, 2007
	Balance, July 1, 2006	Additions	Deletions	
<b>ASSETS</b>				
Restricted cash and investments	\$ 1,524,075	\$ 564,663	\$ (487,069)	\$ 1,601,669
Receivables:				
Taxes	14,237	2,629	(14,237)	2,629
Loans	125,800	-	(6,621)	119,179
Total assets	<u>\$ 1,664,112</u>	<u>\$ 567,292</u>	<u>\$ (507,927)</u>	<u>\$ 1,723,477</u>

<b>LIABILITIES</b>				
Special assessment deposits	<u>\$ 1,664,112</u>	<u>\$ 567,292</u>	<u>\$ (507,927)</u>	<u>\$ 1,723,477</u>

	Employee Benefits			Balance, June 30, 2007
	Balance, July 1, 2006	Additions	Deletions	
<b>ASSETS</b>				
Restricted cash and investments	<u>\$ 210,379</u>	<u>\$ 28,330</u>	<u>\$ -</u>	<u>\$ 238,709</u>
<b>LIABILITIES</b>				
Other Liabilities	<u>\$ 210,379</u>	<u>\$ 28,330</u>	<u>\$ -</u>	<u>\$ 238,709</u>

	Totals			Balance, June 30, 2007
	Balance, July 1, 2006	Additions	Deletions	
<b>ASSETS</b>				
Restricted cash and investments	\$ 1,734,454	\$ 592,993	\$ (487,069)	\$ 1,840,378
Receivables:				
Taxes	14,237	2,629	(14,237)	2,629
Loans	125,800	-	(6,621)	119,179
Total assets	<u>\$ 1,874,491</u>	<u>\$ 595,622</u>	<u>\$ (507,927)</u>	<u>\$ 1,962,186</u>
<b>LIABILITIES</b>				
Special assessment deposits	\$ 1,664,112	\$ 567,292	\$ (507,927)	\$ 1,723,477
Other liabilities	210,379	28,330	-	238,709
Total liabilities	<u>\$ 1,874,491</u>	<u>\$ 595,622</u>	<u>\$ (507,927)</u>	<u>\$ 1,962,186</u>



## 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.

<b>Contents</b>	<b>Page</b>
Financial Trends	77-81
<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	82-86
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	87-91
<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	92-93
<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	93-96
<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 Assets by Component**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<b>Fiscal Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ (8,611) <sup>1</sup>	\$ 127,868 <sup>2</sup>	\$ 140,733	\$ 174,427	\$ 192,459
Restricted	35,552	34,791	40,001	59,257	62,168
Unrestricted	<u>24,341</u>	<u>24,906</u>	<u>26,304</u>	<u>15,690</u>	<u>14,721</u>
Total governmental activities net assets	<u>\$ 51,282</u>	<u>\$ 187,565</u>	<u>\$ 207,038</u>	<u>\$ 249,374</u>	<u>\$ 269,348</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 39,119	\$ 57,241	\$ 59,957	\$ 65,141	\$ 69,059
Restricted	-	-	232	235	236
Unrestricted	<u>5,223</u>	<u>4,641</u>	<u>3,248</u>	<u>2,362</u>	<u>2,914</u>
Total business-type activities net assets	<u>\$ 44,342</u>	<u>\$ 61,882</u>	<u>\$ 63,437</u>	<u>\$ 67,738</u>	<u>\$ 72,209</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 30,508	\$ 185,110	\$ 200,691	\$ 239,568	\$ 261,518
Restricted	35,552	34,791	40,233	59,492	62,404
Unrestricted	<u>29,564</u>	<u>29,547</u>	<u>29,552</u>	<u>18,052</u>	<u>17,636</u>
Total primary government net assets	<u>\$ 95,624</u>	<u>\$ 249,448</u>	<u>\$ 270,476</u>	<u>\$ 317,113</u>	<u>\$ 341,558</u>

Information is available beginning in fiscal year 2003, when the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

<sup>1</sup> The City had not yet recorded its infrastructure retroactive to 1980.

<sup>2</sup> The City retroactively reported its infrastructure in fiscal year 2004.

**City of Chico, California**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<b>Fiscal Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 5,658	\$ 5,107	\$ 4,268	\$ 4,704	\$ 5,543
Public safety	24,316	26,359	27,042	30,014	34,654
Public works	4,711	7,868	9,061	11,810	16,055
Parks and recreation	2,725	3,083	2,939	3,161	3,098
Community development	2,403	2,123	2,905	3,754	5,940
Community agencies	-	-	505 <sup>1</sup>	626	814
Redevelopment	5,939	7,990	8,707	15,056 <sup>2</sup>	17,642
Interest on long-term debt	3,525	3,384	3,301	5,288 <sup>3</sup>	6,409
Total governmental activities expenses	<u>49,277</u>	<u>55,914</u>	<u>58,728</u>	<u>74,413</u>	<u>90,155</u>
Business-type activities:					
Sewer	5,771	6,011	6,452	6,694	7,275
Parking	728	741	739	894	847
Private development	3,658	3,975	4,643	4,921	4,490
Airport	988	810	818	972	1,080
Transit	2,893	3,617	3,753	28 <sup>4</sup>	40
Waste management	88	91	1 <sup>5</sup>	2	2
Total business-type activities expenses	<u>14,126</u>	<u>15,245</u>	<u>16,406</u>	<u>13,511</u>	<u>13,734</u>
Total primary government expenses	<u>\$ 63,403</u>	<u>\$ 71,159</u>	<u>\$ 75,134</u>	<u>\$ 87,924</u>	<u>\$ 103,889</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 194	\$ 151	\$ 236	\$ 221	\$ 360
Public safety	849	1,015	1,142	1,145	1,163
Public works	737	1,070	1,086	1,492	2,575
Community development	7,137	8,679	7,242	9,284	6,480
Other activities	24	34	122	53	108
Operating grants and contributions	3,463	3,295	5,193	7,493 <sup>6</sup>	8,880
Capital grants and contributions	10,257	12,291	10,854	38,301 <sup>7</sup>	20,655
Total governmental activities program revenues	<u>22,661</u>	<u>26,535</u>	<u>25,875</u>	<u>57,989</u>	<u>40,221</u>
Business-type activities:					
Charges for services:					
Sewer	4,885	5,138	6,814	7,108	7,676
Private development	3,274	3,536	3,737	4,397	4,048
Other activities	1,701	1,811	1,725	1,617	1,988
Operating grants and contributions	2,151	2,958	3,827	- <sup>4</sup>	-
Capital grants and contributions	58	2,660	427	1,905	2,023
Total business-type activities program revenues	<u>12,069</u>	<u>16,103</u>	<u>16,530</u>	<u>15,027</u>	<u>15,735</u>
Total primary government program revenues	<u>\$ 34,730</u>	<u>\$ 42,638</u>	<u>\$ 42,405</u>	<u>\$ 73,016</u>	<u>\$ 55,956</u>
Net (expenses)/revenue					
Governmental activities	\$ (26,616)	\$ (29,379)	\$ (32,853)	\$ (16,424)	\$ (49,934)
Business-type activities	(2,058)	858	125	1,516	2,001
Total primary government net expense	<u>\$ (28,674)</u>	<u>\$ (28,521)</u>	<u>\$ (32,728)</u>	<u>\$ (14,908)</u>	<u>\$ (47,933)</u>

	<b>Fiscal Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	13,847	16,087	21,442	30,319 <sup>8,10</sup>	37,062
Sales and use tax	13,989	14,822	12,416 <sup>8</sup>	13,044	12,833
Sales tax in-lieu	-	-	3,411 <sup>8</sup>	4,381	4,290
Utility users tax	4,679	5,207	5,334	5,912	6,207
Other taxes	2,680	2,938	3,243	3,610	3,837
Unrestricted grants and contributions	3,907	3,090	5,734	472 <sup>9</sup>	1,201
Unrestricted investment earnings	1,898	1,287	1,654	3,637	6,190
Miscellaneous	759	718	198	509	608
Transfers	1,213	(16,595)	(1,365)	(4,636)	(2,321)
<b>Total governmental activities</b>	<u>42,972</u>	<u>27,554</u>	<u>52,067</u>	<u>57,248</u>	<u>69,907</u>
Business-type activities:					
Unrestricted investment earnings	142	69	65	100	150
Miscellaneous	123	19	1	(2,809)	-
Transfers	(1,213)	16,595	1,365	4,636	2,321
<b>Total business-type activities</b>	<u>(948)</u>	<u>16,683</u>	<u>1,431</u>	<u>1,927</u>	<u>2,471</u>
<b>Total primary government</b>	<u>\$ 42,024</u>	<u>\$ 44,237</u>	<u>\$ 53,498</u>	<u>\$ 59,175</u>	<u>\$ 72,378</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 16,356	\$ (1,827)	\$ 19,210	\$ 40,825	\$ 19,974
Business-type activities	(3,005)	17,540	1,555	3,442	4,471
<b>Total primary government</b>	<u>\$ 13,351</u>	<u>\$ 15,713</u>	<u>\$ 20,765</u>	<u>\$ 44,267</u>	<u>\$ 24,445</u>

Information is available beginning in fiscal year 2003, when the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

<sup>1</sup> Prior to fiscal year 2005 community agencies expenses were included with the general government expenses.

<sup>2</sup> The increase over the prior period is due to major remediation work at the Humboldt Road Burn Dump.

<sup>3</sup> The increase over the prior period is due to interest payments and accrued interest on the newly issued 2005 Tax Allocation Bonds.

<sup>4</sup> Effective July 1, 2005, transit operations of the City were transferred to the Butte County Association of Governments (BCAG) due to the countywide consolidation of transit services within Butte County. See also note 6 below.

<sup>5</sup> Beginning in fiscal year 2005 the solid waste management activity is reflected in general government expenses. Household hazardous waste administration is reflected in this line item pending disposition of remaining net assets.

<sup>6</sup> Effective July 1, 2005 Transportation Development Act revenues are reflected under governmental activities, prior to that date they were reflected in business type activities. The revenues are primarily for transit services and the corresponding expenses for transit services are included with public works expenses. See note 4 above.

<sup>7</sup> The increase over the prior year is due to contributed infrastructure assets from annexations as well as from developers completing subdivisions

<sup>8</sup> In 2004-05 the State of California passed Senate Bill 1096, as amended by AB 2115 (SB 1096, known as the "Triple Flip") which impacted the distribution of sales tax, property tax and motor vehicle license fee revenues to local agencies. The Bradley-Burns Sales Tax rate (the amount remitted to the City) was reduced from 1.0% to 0.75%. The 0.25% was replaced with property taxes on a dollar-for-dollar basis. Additionally, the State's backfill for revenue loss due to the reduction of the motor vehicle license fee (from 2.0% to 0.67%) was swapped with property taxes provided by the County's Educational Revenue Augmentation Fund (ERAF).

<sup>9</sup> Beginning in fiscal year 2006, the motor vehicle license fee backfill was reclassified from operating grants and contributions to property taxes, as part of the AB 2115 Triple Flip.

<sup>10</sup> The increase in property tax revenue between 2003 and 2006 is attributable to the AB 2115 Triple Flip reclassification of sales tax and motor vehicle license fee backfill, overall growth in the City's assessed valuation, and the removal of the tax increment cap on the Southeast Chico Redevelopment Project Area in fiscal year 2005.

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

	<b>Fiscal Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund					
Reserved	\$ 236	\$ 85	\$ 358	\$ 440	\$ 124
Unreserved	<u>8,342</u>	<u>9,010</u>	<u>11,394</u>	<u>9,944</u>	<u>10,595</u>
Total General fund	<u>\$ 8,578</u>	<u>\$ 9,095</u>	<u>\$ 11,752</u>	<u>\$ 10,384</u>	<u>\$ 10,719</u>
All other governmental funds					
Reserved	\$ 25,403	\$ 25,840	\$ 35,123	\$ 49,060	\$ 47,368
Unreserved, reported in:					
Special revenue funds	1,628	1,916	702	1,298	4,224
Capital projects funds	<u>39,756</u>	<u>35,893</u>	<u>28,679</u>	<u>83,769</u>	<u>72,210</u>
Total all other governmental funds	<u>\$ 66,787</u>	<u>\$ 63,649</u>	<u>\$ 64,504</u>	<u>\$ 134,127</u>	<u>\$ 123,802</u>

Governmental Accounting Standards Board (GASB) Statement No. 44 "Economic Condition Reporting: The Statistical Section" encourages but does not require that ten full years of information be shown at the time the Statement is implemented.

The City of Chico has elected to show only five years of data for this schedule to conform to the presentation in the schedule of Changes in Fund Balances of Governmental Funds that follows.

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>					
Property taxes	\$ 13,847	\$ 16,087	\$ 21,442	\$ 30,319	\$ 37,062
Sales and use taxes	13,989	14,822	15,826	17,425	17,122
Other taxes	7,348	8,120	8,577	9,522	10,044
Licenses and permits	59	68	79	87	105
Intergovernmental	9,135	9,477	11,831	12,647	14,796
Charges for services	8,071	9,952	8,524	11,032	8,692
Fines, forfeitures, and penalties	774	774	908	887	875
Use of money and property	2,288	1,720	2,165	3,958	6,450
Miscellaneous	3,343	782	584	289	533
Total revenues	<u>58,854</u>	<u>61,802</u>	<u>69,936</u>	<u>86,166</u>	<u>95,679</u>
<b>Expenditures</b>					
General government	4,028	3,802	3,897	4,550	5,225
Public safety	22,905	25,095	25,944	29,851	33,514
Public works	4,465	4,282	5,118	7,483	9,637
Parks and recreation	2,494	2,816	2,640	2,873	2,720
Community development	2,382	2,102	2,875	3,777	5,963
Community agencies	699	661	505	628	814
Redevelopment	5,950	7,957	8,674	15,064	17,333
Capital outlay	8,461	13,035	14,012	16,239	23,279
Debt service					
Principal retirement	2,265	2,509	2,713	2,808	3,072
Interest and fiscal charges	3,661	3,419	3,339	4,445	6,378
Bond issuance and fiscal agent fees	-	-	-	1,328	-
Total expenditures	<u>57,310</u>	<u>65,678</u>	<u>69,717</u>	<u>89,046</u>	<u>107,935</u>
Excess of revenues over (under) expenditures	1,544	(3,876)	219	(2,880)	(12,256)
<b>Other financing sources (uses)</b>					
Transfers in	10,529	10,577	10,594	13,997	15,917
Transfers out	(8,972)	(9,320)	(8,080)	(13,262)	(14,081)
Revenue bonds issued	-	-	-	68,500	-
Premium on revenue bonds	-	-	-	999	-
Proceeds from sale of capital assets	-	-	517	900	432
Total other financing sources (uses)	<u>1,557</u>	<u>1,257</u>	<u>3,031</u>	<u>71,134</u>	<u>2,268</u>
Net change in fund balance	<u>\$ 3,101</u>	<u>\$ (2,619)</u>	<u>\$ 3,250</u>	<u>\$ 68,256</u>	<u>\$ (9,988)</u>
Debt service as a percentage of noncapital expenditures	12%	11%	11%	12%	11%

Governmental Accounting Standards Board (GASB) Statement No. 44 "Economic Condition Reporting: The Statistical Section" encourages but does not require that ten full years of information be shown at the time the Statement is implemented. The City of Chico has elected to show only five years of data for this schedule.

Information for changes in fund balance and debt service as a percentage of noncapital expenditures is available beginning in fiscal year 2003, when the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

For further analysis, please reference the schedule of Changes in Net Assets on page 78-79, and the Management Discussion and Analysis (MD&A).

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

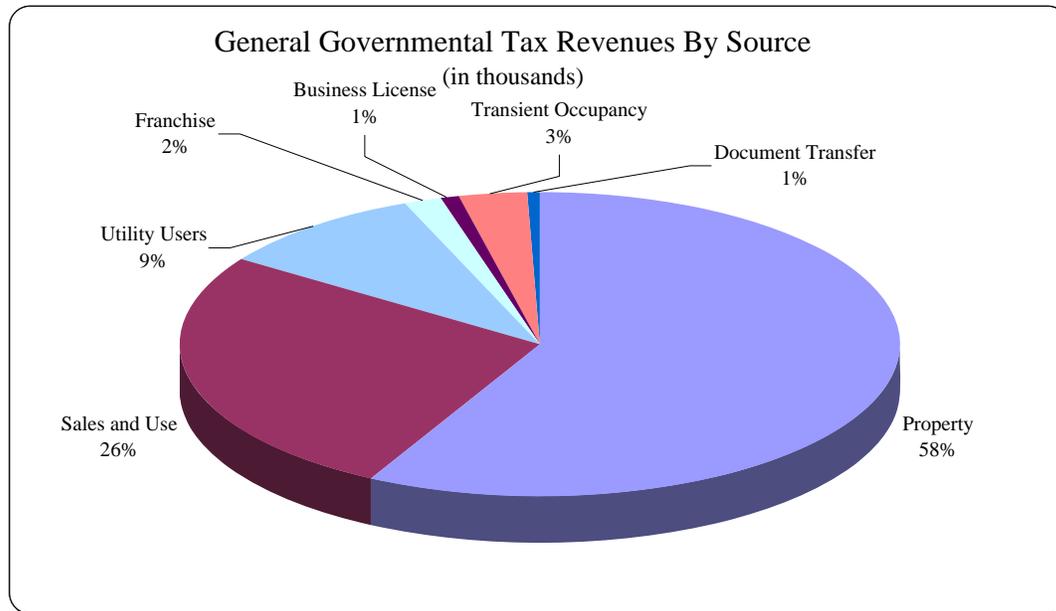
Fiscal Year	Property	Sales and Use	Utility Users	Other Taxes				Total (1)
				Franchise	Business License	Transient Occupancy	Document Transfer	
2003	\$ 13,847	\$13,989	\$ 4,679	\$ 784	\$ 274	\$ 1,315	\$ 296	\$ 35,184 <i>35,184</i>
2004	16,087	14,822	5,207	837	267	1,391	418	39,029 <i>37,795</i>
2005	21,442	15,826	5,334	900	425	1,452	466	45,845 <i>43,299</i>
2006	30,319	17,425	5,912	940	450	1,747	473	57,266 <i>51,847</i>
2007	37,062	17,122	6,207	1,046	486	1,895	409	64,227 <i>56,628</i>

Information is available beginning in fiscal year 2003, when the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

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

- (1) Italicized numbers represent "constant dollars" based on the annual average (June - July) Consumer Price Index (CPI) for all urban consumers utilizing June, 2003 as the base period (100%). Data provided by the United States Department of Labor, Bureau of Labor Statistics.

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				Gross Assessed		Net Assessed Value	Total Direct Tax Rate %
	Secured Roll	Utility Roll	Unsecured Roll	Value	Less Exemptions		
1998	2,366,376	3,821	229,925	2,600,122	171,653	2,428,469	1.0000
1999	2,553,338	3,914	249,650	2,806,902	181,509	2,625,393	1.0000
2000	2,799,758	4,121	266,662	3,070,541	274,403	2,796,138	1.0000
2001	2,995,245	4,089	291,724	3,291,058	253,692	3,037,366	1.0000
2002	3,256,334	4,094	303,940	3,564,368	254,056	3,310,312	1.0000
2003	3,559,473	2,170	315,542	3,877,185	262,686	3,614,499	1.0000
2004	3,932,120	846	336,436	4,269,402	302,877	3,966,524	1.0000
2005	4,472,678	884	348,836	4,822,398	342,550	4,479,848	1.0000
2006	5,086,166	1,140	371,404	5,458,710	352,472	5,106,238	1.0000
2007	5,759,484	980	398,951	6,159,415	343,081	5,816,334	1.0000

**Chico Redevelopment Agency**

Fiscal Year				Gross Assessed		Net Assessed Value	Total Direct Tax Rate %
	Secured Roll	Utility Roll	Unsecured Roll	Value	Less Exemptions		
1998	1,880,762	1,941	179,251	2,061,954	43,962	2,017,992	1.0000
1999	1,950,383	2,055	199,275	2,151,713	44,969	2,106,744	1.0000
2000	2,034,362	2,001	211,619	2,247,982	45,920	2,202,062	1.0000
2001	2,154,287	1,991	213,686	2,369,964	46,435	2,323,529	1.0000
2002	2,263,183	2,003	222,337	2,487,523	46,755	2,440,768	1.0000
2003	2,469,336	2,444	233,231	2,705,011	47,400	2,657,611	1.0000
2004	2,643,572	1,131	252,330	2,897,033	48,084	2,848,949	1.0000
2005	2,899,927	1,188	254,088	3,155,203	48,214	3,106,989	1.0000
2006	3,253,883	1,401	276,631	3,531,915	48,868	3,483,047	1.0000
2007	3,651,813	1,257	299,026	3,952,096	48,656	3,903,440	1.0000

Source: Butte County Auditor/Controller's Office.

**Note:**

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

**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 County Schools (2)	Butte College (3)	
1998	1.0000 %	0.0000 %	1.0000 %	0.0358 %	-	-	1.0358 %
1999	1.0000 %	0.0000 %	1.0000 %	0.0624 %	0.0006 %	-	1.0630 %
2000	1.0000 %	0.0000 %	1.0000 %	0.0491 %	-	-	1.0491 %
2001	1.0000 %	0.0000 %	1.0000 %	0.0508 %	-	-	1.0508 %
2002	1.0000 %	0.0000 %	1.0000 %	0.0514 %	-	-	1.0514 %
2003	1.0000 %	0.0000 %	1.0000 %	0.0456 %	-	0.0188 %	1.0644 %
2004	1.0000 %	0.0000 %	1.0000 %	0.0411 %	-	0.0171 %	1.0582 %
2005	1.0000 %	0.0000 %	1.0000 %	0.0390 %	-	0.0160 %	1.0550 %
2006	1.0000 %	0.0000 %	1.0000 %	0.0353 %	-	0.0209 %	1.0562 %
2007	1.0000 %	0.0000 %	1.0000 %	0.0346 %	-	0.0209 %	1.0555 %

Note: 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: 1988 Building Fund Bond and subsequent refinancing.
- (2) Butte County State School Building Program: Second phase of Loma Vista special education facility.
- (3) Butte-Glenn Community College District: General obligation bonds, 2002 Series A and B.

Source: Butte County Auditor/Controller's Office.

**City of Chico, California**  
**Principal Secured Property Taxpayers**  
**June 30, 2007**  
**Current Year and Nine Years Ago**  
**(amounts expressed in thousands)**

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
Chico Mall Limited Partnership	\$ 64,926	1	1.20%	\$ 24,783	3	0.46%
Cal-Mortgage	24,945	2	0.46%			0.00%
Pan Pacific Development LLC	24,472	3	0.45%	18,371	5	0.34%
Western Investment Real Estate Trust	19,648	4	0.36%	12,001	7	0.22%
Evergreen Orchard LLC	18,792	5	0.35%			0.00%
Merele A. Webb & Sons	41,342	6	0.76%	30,402	2	0.56%
Lowe's HIW Inc.	17,651	7	0.32%			0.00%
Chico Lodging LLC	15,931	8	0.29%			0.00%
California Water Service	24,903	9	0.46%			0.00%
Grossman Family Trust/Sierra Nevada Brewery	14,808	10	0.27%			0.00%
N T Enloe Memorial Hospital			0.00%	102,894	1	1.89%
Wal Mart Stores Inc.			0.00%	19,769	4	0.36%
Edward E. & Mary L. Wittmeier			0.00%	14,369	6	0.26%
Real Estate Dynamics Inc.			0.00%	10,692	8	0.20%
Costco Wholesale Corporation			0.00%	9,667	9	0.18%
J C Penney Properties Inc.			0.00%	9,665	10	0.18%
Largest Secured Property Valuation	\$ 267,417		4.92%	\$ 252,612		4.65%
Other Secured Taxpayers	5,164,065		95.08%	2,133,734		95.35%
<b>Total Secured Property Valuation - Net of Exemptions</b>	<b>\$ 5,431,482</b>		<b>100.00%</b>	<b>\$ 2,386,346</b>		<b>100.00%</b>

Source: Butte County Auditor/Controller's Office.  
HdL's "1998 and 2007 Top Property Taxpayers - Secured."

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy		Total Tax Collections	Percent of Total Collections to Tax Levy
			Collected (1)	Delinquent Tax Collections		
1998	9,601	9,601	100.00%	-	9,601	100.00%
1999	10,551	10,551	100.00%	-	10,551	100.00%
2000	10,770	10,770	100.00%	-	10,770	100.00%
2001	11,299	11,299	100.00%	-	11,299	100.00%
2002	12,205	12,205	100.00%	-	12,205	100.00%
2003	13,847	13,847	100.00%	-	13,847	100.00%
2004	16,087	16,087	100.00%	-	16,087	100.00%
2005	21,442	21,442	100.00%	-	21,442	100.00%
2006	30,319	30,319	100.00%	-	30,319	100.00%
2007	37,062	37,062	100.00%	-	37,062	100.00%

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 Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed through to other taxing agencies.

(1) The City participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes and assessments to the City based on levy, not on collections.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Loans</b>	<b>Capital Leases</b>	<b>Revenue Bonds</b>	<b>Loans</b>			
1998	-	46,475	6,320	-	3,380	1,987	58,162	1.49%	1,022
1999	-	45,660	23,316	96	3,320	7,316	79,708	1.94%	1,356
2000	-	44,800	25,284	55	3,260	7,945	81,344	1.90%	1,347
2001	-	43,870	25,650	221	3,195	8,067	81,003	1.77%	1,239
2002	-	56,820	25,546	161	3,125	8,067	93,719	1.95%	1,393
2003	-	55,470	24,631	224	3,055	7,778	91,158	1.86%	1,326
2004	-	54,060	23,532	160	2,980	7,431	88,163	1.73%	1,239
2005	-	52,465	22,414	92	2,420	7,078	84,469	1.53%	1,148
2006	-	119,305	21,266	36	2,340	6,716	149,663	2.58%	1,892
2007	-	117,410	20,089	12	2,255	6,344	146,110	2.36%	1,731

Note: Percentage of personal income is based on the calendar year information ending during that fiscal year for the Chico Metropolitan Statistical Area. Fiscal year 2007 is an estimate.

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

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

**City of Chico, California**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita and city population amounts)

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amount Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Assessed Value</b>	<b>Per Capita</b>	<b>City Population</b>	<b>Net Assessed Value</b>
1998	-	-	-	0.00%	-	56,900	2,428,469
1999	-	-	-	0.00%	-	58,800	2,625,393
2000	-	-	-	0.00%	-	60,400	2,796,138
2001	-	-	-	0.00%	-	65,391	3,037,366
2002	-	-	-	0.00%	-	67,261	3,310,312
2003	-	-	-	0.00%	-	68,722	3,614,499
2004	-	-	-	0.00%	-	71,154	3,966,524
2005	-	-	-	0.00%	-	73,558	4,479,848
2006	-	-	-	0.00%	-	79,091	5,106,238
2007	-	-	-	0.00%	-	84,396	5,816,334

Population data estimates are as of January 1 of the corresponding year and are not in thousands.

Source: Butte County Auditor/Controller's Office.  
City of Chico, Finance Department.  
State of California, Department of Finance, Demographic Research Unit.

**City of Chico, California**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2007**  
**(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	\$ 27,410	71.07%	\$ 19,479
Butte-Glenn Community College District	63,303	37.76%	<u>23,905</u>
Subtotal, overlapping debt			43,385
City of Chico direct debt			<u>137,511</u>
Total direct and overlapping debt			<u><u>\$ 180,896</u></u>

\* 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.

Source: Butte County Auditor/Controller's Office.  
Chico Unified School District.  
Butte College.

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

	<b>Fiscal Year</b>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Assessed Valuation (less other exemptions)	\$ 2,428,469	\$ 2,625,392	\$ 2,796,137	\$ 3,037,366	\$ 3,310,312	\$ 3,614,499	\$ 3,966,524	\$ 4,479,848	\$ 5,106,238	\$ 5,816,334
Debt Limit - 15 Percent of Assessed Valuation (1)	\$ 364,270	\$ 393,809	\$ 419,421	\$ 455,605	\$ 496,547	\$ 542,175	\$ 594,979	\$ 671,977	\$ 765,936	\$ 872,450
Amount of Debt Applicable to Debt Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 364,270	\$ 393,809	\$ 419,421	\$ 455,605	\$ 496,547	\$ 542,175	\$ 594,979	\$ 671,977	\$ 765,936	\$ 872,450
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		Coverage
							Principal	Interest	
1998	636,430	296,762	339,668	262,013	1.30	7,610,941	695,000	2,731,694	2.22
1999	691,570	286,050	405,520	264,538	1.53	8,393,386	815,000	2,684,504	2.40
2000	743,620	306,936	436,684	261,688	1.67	8,713,425	860,000	2,641,882	2.49
2001	748,078	317,785	430,293	263,748	1.63	9,346,265	930,000	2,597,169	2.65
2002	768,435	371,550	396,885	265,433	1.50	10,210,996	1,725,000	2,410,420	2.47
2003	759,113	398,446	360,667	261,758	1.38	10,758,412	1,350,000	2,844,755	2.56
2004	737,675	408,953	328,722	262,978	1.25	12,636,105	1,410,000	2,787,556	3.01
2005	792,161	440,059	352,102	243,746	1.44	18,679,113	1,595,000	2,726,934	4.32
2006	1,119,233	710,991	408,242	229,439	1.78	22,230,697	1,660,000	3,862,737	4.03
2007	1,161,331	639,478	521,853	229,799	2.27	27,149,432	1,895,000	5,825,416	3.52

Source: City of Chico, Finance Department.

Note: (1) 1994 Parking Revenue Bonds  
(2) 1996, 2001 and 2005 Tax Allocation Bonds

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

Fiscal Year	City of Chico		Chico Metropolitan Statistical Area			
	City of Chico Population (1)	City of Chico Unemploy- ment Rate (3)	Butte County Population (2)	Butte County Personal Income (thousands of dollars) (2)	Butte County Per Capita Personal Income (2)	Butte County Unemploy- ment Rate (3)
1998	56,900	-	197,994	3,890,964	19,652	8.7%
1999	58,800	-	199,993	4,099,860	20,500	8.4%
2000	60,400	6.2%	201,282	4,275,291	21,240	6.8%
2001	65,391	6.3%	203,808	4,570,617	22,426	6.2%
2002	67,261	7.1%	205,924	4,798,095	23,300	6.6%
2003	68,722	7.5%	208,683	4,899,283	23,477	7.4%
2004	71,154	7.1%	210,985	5,085,403	24,103	7.6%
2005	73,558	6.5%	212,609	5,516,753	25,948	7.4%
2006	79,091	6.1%	214,153	5,811,300	27,136	6.8%
2007	84,396	6.2%	218,069	6,183,000	28,641	6.2%

Information is unavailable for fiscal years 1998 and 1999 for the City of Chico unemployment rates.

Note: Personal income and per capita personal income are based on the calendar year information ending during the fiscal year. Fiscal year 2007 is an estimate

- (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 Division

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

<u>Employer</u>	<u>2007</u>			<u>1998</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	1,500	3	3.53%	1,735	2	6.28%
California State University, Chico	2,000	2	4.71%	1,850	1	6.70%
Chico Unified School District	2,085	1	4.91%	1,402	3	5.08%
City of Chico	463	4	1.09%	357	6	1.29%
Charles D Gardemeyer General	200	8	0.47%			0.00%
National Heritage Insurance Co.	300	5	0.71%			0.00%
Koret of California			0.00%	320	7	1.16%
Raley's	245	6	0.58%			0.00%
Costco Wholesale Corporation	220	7	0.52%			0.00%
Addus Healthcare Inc.	200	9	0.47%			0.00%
Wal-Mart Stores Inc.	175	10	0.41%			0.00%
Chico Community Hospital			0.00%	650	4	2.35%
Fleetwood Motor Homes			0.00%	400	5	1.45%
Blue Shield			0.00%	200	8	0.72%
3M Corporation			0.00%	200	9	0.72%
Ed Wittmeirer Auto Center			0.00%	175	10	0.63%
Total	<u>7,388</u>		<u>17.38%</u>	<u>7,289</u>		<u>26.39%</u>

Source: Chico Chamber of Commerce.  
U.S. Census Bureau.  
California State Employment Development Department.

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

<u>Function</u>	<u>Full-time and Part-time Employees</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	47	50	50	50	52	50	50	53	56	54
Public safety										
Police	120	116	123	127	141	141	140	142	151	159
Fire	61	61	63	66	66	69	69	69	72	74
Public works	66	63	63	65	67	70	72	72	76	79
Parks and recreation	25	26	26	27	28	28	26	26	28	27
Community development	3	3	4	4	4	4	4	4	4	4
Sewer	14	14	16	17	17	17	17	17	18	17
Parking	2	2	2	2	2	2	2	2	2	2
Private development	30	33	35	39	38	35	41	40	44	46
Airport	-	1	1	1	1	1	1	1	1	1
<b>Total</b>	<b>368</b>	<b>369</b>	<b>383</b>	<b>398</b>	<b>416</b>	<b>417</b>	<b>422</b>	<b>426</b>	<b>452</b>	<b>463</b>

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.

Source: City of Chico, Annual Budgets.

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Calls for service	75,261	74,765	75,986	84,816	95,675	99,143	105,845	107,271	105,942	108,939
Arrests	4,639	4,069	4,119	4,756	4,780	4,196	4,196	4,196	5,085	5,373
Fire										
Service calls answered	358	452	444	505	700	703	565	645	571	759
Medical emergencies	2,610	2,790	3,058	2,668	4,265	4,242	4,707	4,874	5,744	6,100
Public works										
Street resurfacing (tons of asphalt)	2,443	1,793	1,406	999	1,367	2,030	2,235	1,952	2,866	1,801
Community development										
Annexation activity (net acreage)	12,138	12,392	12,451	12,837	13,101	13,302	13,554	13,729	14,413	15,905
Code violation notices issued	257	339	269	267	548	651	503	490	585	523
Sewer										
Maximum daily treatment capacity (million gallons)	6	6	6	9	9	9	9	9	9	9
Parking										
Parking meter repairs	276	336	624	576	708	796	1,648	1,296	900	1,058
Private development										
Residential building permits	347	560	422	386	513	662	593	498	471	367
Commercial building permits	32	41	34	50	43	52	56	105	95	31
Airport										
Passengers per year (loading/unloading)	38,526	53,703	58,842	54,338	41,335	34,947	34,197	36,963	36,322	51,153
Transit										
Passengers per year (Chico Area Transit)	801,137	867,704	834,101	810,585	852,112	823,458	866,825	833,982	-	-
Passengers per year (Clipper)	62,030	65,060	62,262	62,467	60,381	60,523	59,211	59,097	-	-
Total										

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 for 2006 and 2007.

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

Source: Various City of Chico departments.

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol cars	18	18	18	18	18	20	21	23	24	23
Fire										
Fire stations	4	5	5	5	5	5	5	5	5	5
Fire hydrants	2,147	2,227	2,304	2,373	2,438	2,556	2,686	2,761	2,846	2,905
Public works										
Street (miles)	176.9	182.2	195.3	202.2	206.3	209	215.2	217.5	233.1	243.3
Traffic signals	89	90	92	92	92	92	93	93	94	97
Parks and recreation										
Park acreage	3754.9	3754.9	3754.9	3754.9	3758.4	3758.4	3758.4	3758.4	3758.4	3758.4
Sewer										
Sanitary sewer (miles)	186.5	189.2	192.1	194.4	195.2	196.4	198.8	199.9	204.5	208.4
Storm sewer (miles)	196.8	197.4	199.0	199.6	200.4	201.1	203.3	205.5	212.0	215.5
Parking										
Parking lots	5	5	5	5	5	5	5	5	5	5
Parking structures	1	1	1	1	1	1	1	1	1	1
Airport										
Runway lengths 13L/31R (feet)	6722	6722	6722	6722	6722	6722	6722	6722	6722	6722
Runway lengths 13R/31L (feet)	3005	3005	3005	3005	3005	3005	3005	3005	3005	3005
Transit										
Clipper buses	15	15	15	18	18	18	20	20	-	-
Cats buses	8	8	8	8	8	17	11	11	-	-

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 for 2006 and 2007.

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.