

**CITY OF  
CHICO, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2005**

**Prepared by  
Chico Finance Department**

**CITY OF CHICO, CALIFORNIA**  
June 30, 2005

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

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

**FINANCIAL SECTION**

Independent Auditor’s Report..... 1 - 2  
Management’s Discussion and Analysis (Required Supplementary Information) .....3 - 12  
Basic Financial Statements:  
    Government-wide Financial Statements:  
        Statement of Net Assets ..... 13  
        Statement of Activities..... 14  
    Fund Financial Statements:  
        Balance Sheet – Governmental Funds ..... 15  
        Reconciliation of the Balance Sheet - Governmental Funds to the  
            Statement of Net Assets – Governmental Activities ..... 16  
        Statement of Revenues, Expenditures and Changes in Fund  
            Balances – Governmental Funds..... 17  
        Reconciliation of the Statement of Revenues, Expenditures and  
            Changes in Fund Balances - Governmental Funds to the  
            Statement of Activities..... 18  
        Statement of Revenues, Expenditures and Changes in Fund Balance –  
            Budget and Actual – General Fund..... 19  
        Statement of Revenues, Expenditures and Changes in Fund Balance –  
            Budget and Actual – Housing Special Revenue Fund ..... 20  
        Statement of Net Assets – Proprietary Funds..... 21  
        Statement of Revenues, Expenses and Changes in Fund Net  
            Assets – Proprietary Funds ..... 22  
        Statement of Cash Flows – Proprietary Funds ..... 23 - 24  
        Statement of Fiduciary Net Assets – Agency Funds ..... 25  
    Notes to Basic Financial Statements.....26 - 46  
Required Supplementary Information:  
    Schedule of Funding Progress (Unaudited)..... 47  
Combining and Individual Fund Statements and Schedules:  
    Nonmajor Governmental Funds:  
        Combining Balance Sheet – Nonmajor Governmental Funds..... 48  
        Combining Statement of Revenues, Expenditures and Changes in  
            Fund Balances – Nonmajor Governmental Funds ..... 49  
        Combining Balance Sheet – Nonmajor Special Revenue Funds..... 50  
        Combining Statement of Revenues, Expenditures and Changes in  
            Fund Balances – Nonmajor Special Revenue Funds ..... 51

**CITY OF CHICO, CALIFORNIA**  
June 30, 2005

**TABLE OF CONTENTS (CONTINUED)**

Schedules of Revenues, Expenditures and Changes in Fund  
 Balance – Budget and Actual – Nonmajor Special Revenue Funds:  
     Operating Grants Special Revenue Fund..... 52  
     Community Maintenance Districts Special Revenue Fund ..... 53  
     Transportation Special Revenue Fund..... 54  
     Other Special Revenue Funds ..... 55  
 Combining Balance Sheet – Nonmajor Debt Service Funds..... 56  
 Combining Statement of Revenues, Expenditures and Changes in  
 Fund Balances – Nonmajor Debt Service Funds ..... 57  
 Schedules of Revenues, Expenditures and Changes in Fund  
 Balance – Budget and Actual – Nonmajor Debt Service Funds:  
     1996 Tax Allocation Bonds Debt Service Fund ..... 58  
     2001 Tax Allocation Bonds Debt Service Fund ..... 59  
     Chico Merged RPA Low and Moderate Income Housing Debt Service Fund ..... 60  
     Chico Merged Reserves Debt Service Fund ..... 61  
 Combining Balance Sheet – Nonmajor Capital Projects Funds ..... 62  
 Combining Statement of Revenues, Expenditures and Changes in  
 Fund Balances – Nonmajor Capital Projects Funds ..... 63  
  
 Internal Service Funds:  
     Combining Statement of Net Assets ..... 64  
     Combining Statement of Revenues, Expenses and Changes in  
     Fund Net Assets ..... 65  
     Combining Statement of Cash Flows..... 66 - 67  
 Agency Funds:  
     Combining Statement of Changes in Assets and Liabilities..... 68

**STATISTICAL SECTION**

Government-wide information:  
     Government-wide Expenses by Function ..... 69  
     Government-wide Revenues..... 70  
 Fund information:  
     General Governmental Expenditures by Function – Last Eight Fiscal Years..... 71 - 72  
     General Revenues by Source – Last Eight Fiscal Years ..... 73 - 74  
     General Governmental Tax Revenues by Source – Last Two Fiscal Years..... 75 - 76  
     Property Tax Levies and Collections – Last Ten Fiscal Years ..... 77  
     Assessed Full Cash Value of Taxable Property – Last Ten Fiscal Years ..... 78  
     Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years ..... 79  
     Largest Secured Property Taxpayers ..... 80  
     Special Assessment Billings and Collections – Last Ten Fiscal Years..... 81  
     Computation of Legal Debt Margin ..... 82

**CITY OF CHICO, CALIFORNIA**  
June 30, 2005

**TABLE OF CONTENTS (CONTINUED)**

Ratio of Net General Obligation Bonded Debt to Taxable Assessed Value and Net General Obligation Bonded Debt Per Capita – Last Ten Fiscal Years .....	83
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years.....	84
Overlapping Bonded Debt.....	85
Revenue Bond Coverage – 1994 Parking Revenue Bonds.....	86
Demographic Statistics – Last Ten Fiscal Years .....	87
Construction Activity – Last Ten Fiscal Years.....	88
Miscellaneous Statistics.....	89



## ***INTRODUCTORY SECTION***



## FINANCE OFFICE

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<http://www.ci.chico.ca.us>

December 14, 2005

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, 2005. 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.

### **CAFR Organization**

The CAFR is organized into Introductory, Financial and Statistical sections.

- The *Introductory Section*, which is unaudited, includes this transmittal letter, an organizational chart, and a list of principal officials. This section is intended to acquaint readers with the City, its organizational structure, and the scope of its services.
- The *Financial Section* includes the basic financial statements, consisting of government-wide statements, fund statements, required disclosures in the form of notes to the financial statements, and the independent auditor's report. This section also includes management's discussion and analysis of the financial results for the fiscal year, as well as other required supplementary information.
- The *Statistical Section*, which is unaudited, includes selected, multi-year financial and demographic information.

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. Macias Gini & 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, 2005, 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 2005, the incorporated area of the City of Chico has grown to 29.8 square miles, with a population of 73,558.

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 nearly 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; transit; 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.

The annual budget serves as the foundation for financial planning and control for the City of Chico. Budgetary control is maintained to ensure compliance with legal provisions of the annual appropriated budget as approved and modified by the City Council. The City Charter requires the City Manager to

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

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 and continues to remain strong.

The City of Chico's population has increased by 51 percent in the last decade. This increasing population has sparked a sharp growth in retail sales (six percent in 2004). 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.

The job growth rate in Butte County over the past five years has been a cumulative seven percent, creating approximately 5,200 new jobs. In 2004 the unemployment rate for the City was 7.2 percent, down from 7.5 percent the year before. Butte County's industry employers include government; trade, transportation and utilities; and educational and health services. Government, the largest employer in the county, accounts for 22.5 percent of all employment. Trade, transportation and utilities are the second largest industry in Butte County. Employment in educational and health services has been growing consistently over the last five years and makes up more than 15 percent of all employment. Financial activities is one of the county's fastest growing industries, gaining 1,100 jobs or 35 percent since 1998.

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

The City of Chico's Annual Budget includes long-term financial projections for the City's General and Park Funds, and the Chico Redevelopment Agency. These two reports summarize the revenue and expenditure trends and projections for these funds, providing Council with the tools to make sound fiscal decisions. The Annual Budget also includes a Capital Improvement Program (CIP), which summarizes all major capital improvement projects scheduled to occur over the ensuing five-year period.

Annually, each City department prepares a five-year Strategic Plan, which is presented to the City Council. The Strategic Plans summarize each department's respective accomplishments and desired resources for the upcoming five-year period, including staffing, technology and equipment needs.

#### ***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 fiscal year which provides a balance in the General Fund to serve as an operating reserve in the amount of seven and one-half percent of the General Fund operating expenditures, or which the City Manager expects will reach seven and one-half percent by the time the books are closed at the end of the current fiscal year. These funds 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

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<sup>2</sup> Chico Chamber of Commerce, [www.chicochamber.com](http://www.chicochamber.com), "2005/2006 Community Profile"

- 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.

### ***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 infrastructure projects include the reconstruction of West 8<sup>th</sup> Avenue and the reconstruction of the intersection at East Avenue and Cohasset Road, both of which are major roadways within the City. A commitment to economic development is evidenced by the funding assistance provided by the Redevelopment Agency for the newly remodeled Diamond Hotel and the construction of a new hangar facility at the Chico Municipal Airport. Additional accomplishments include the construction of a 113-unit housing project for low-income seniors, the construction of a solar power generation facility at the Water Pollution Control Plant, the remediation of the Humboldt Road Disposal Site, and the start of a major renovation of Chico's downtown park, City Plaza.

### **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 year ended June 30, 2004. This was the second 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.

In addition, the City received the California Society of Municipal Finance Officers (CSMFO) Certificate of Award for Outstanding Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004.

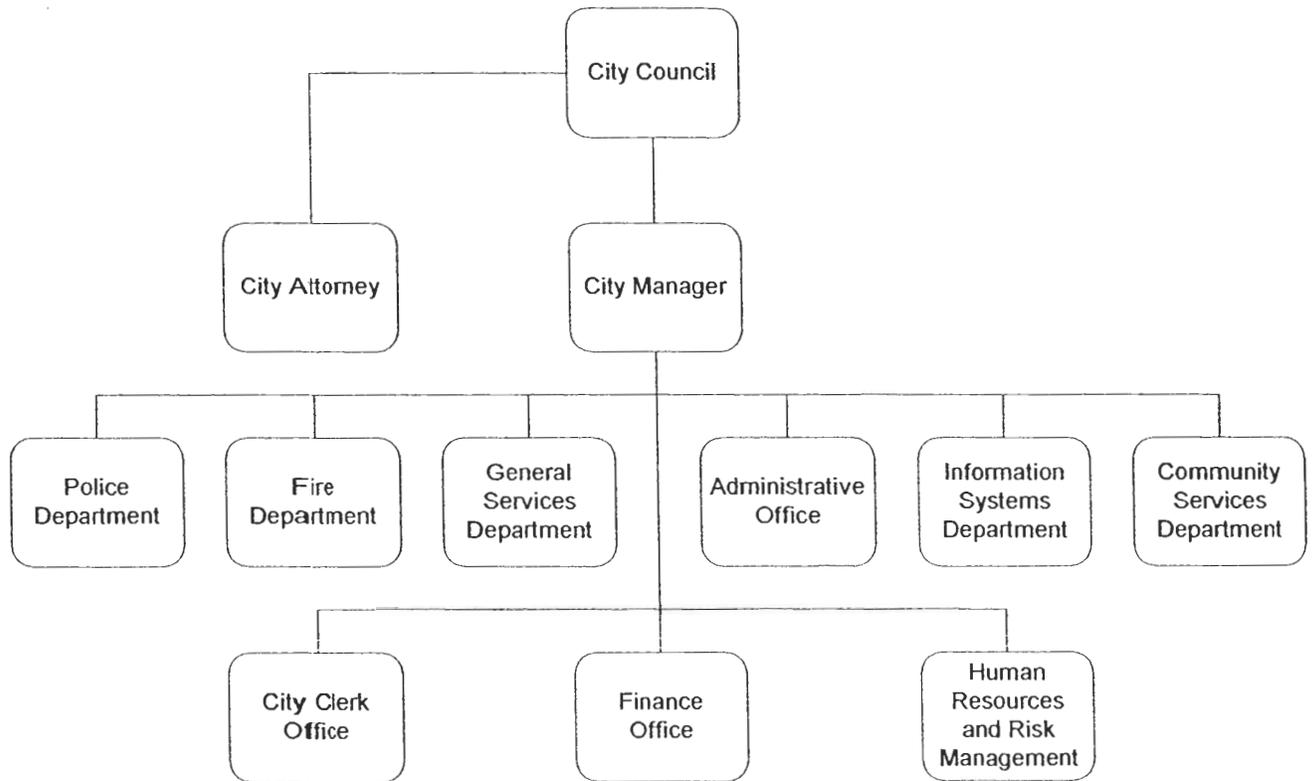
This report is the result of the cooperative effort of many people. We wish to convey our appreciation to the members of the Finance Office team who contributed to and assisted with its successful completion. In particular, Accountant Uldis Vidners was responsible for the preparation of this report and is to be commended for his 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,

Thomas J. Lando  
City Manager

Jennifer Hennessy  
Finance Director

**CITY OF CHICO  
Functional Organization  
Chart**



# DIRECTORY OF CITY OFFICIALS

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*Scott Gruendl, Mayor*

*Maureen Kirk, Vice Mayor*

*Steve Bertagna, Councilmember*

*Dan Herbert, Councilmember*

*Andy Holcombe, Councilmember*

*Ann Schwab, Councilmember*

*Larry Wahl, Councilmember*

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*Tom Lando  
City Manager*

*Trish Dunlap  
Senior Assistant City Manager*

*David Frank  
City Attorney*

*Greg Jones  
Assistant City Manager*

*Debbie Presson  
City Clerk*

*Bruce Hagerty  
Chief of Police*

*Steve Brown  
Fire Chief*

*Lynn McEnespy  
Information Systems Director*

*Jennifer Hennessy  
Finance Director*

*Tony Baptiste  
Community Development Director*

*Dennis Beardsley  
Park Director*

*Bob Koch  
Director-Human Resources  
& Risk Management*

*Fritz McKinley  
Director of Public  
Works*

# 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, 2004

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2003-04*

Presented to the

*City of Chico*

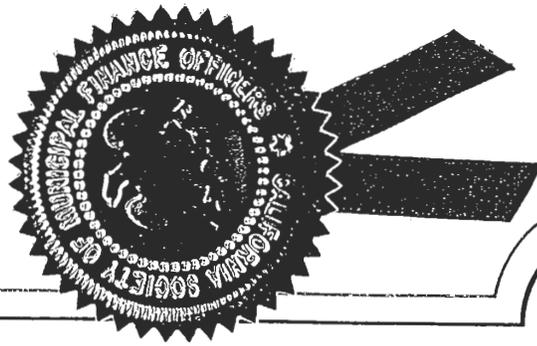
*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2005*

*William A. Stund*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*





## ***FINANCIAL SECTION***

***The Financial Section is comprised of the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, including the notes, Required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.***



## MACIAS GINI & COMPANY<sub>LLP</sub>

3000 S Street, Ste. 300  
Sacramento, California 95816

916.928.4600 PHONE  
916.928.2755 FAX

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

### INDEPENDENT AUDITOR'S REPORT

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 (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Housing Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I to the financial statements, effective July 1, 2004, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure*, an amendment of GASB Statement No. 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 and Schedule of Funding Progress as listed in the table of contents are not required parts 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's basic financial statements. The introductory section, combining and individual fund statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules 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.

*Macior Meiri & Company LLP*

Certified Public Accountants

Sacramento, California  
October 14, 2005, except for  
Note III (H), as to which the  
date is November 17, 2005

***MANAGEMENT'S DISCUSSION AND  
ANALYSIS***

## 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, 2005. 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 2005 by \$270,475,252. Of this amount, \$200,690,769 is invested in capital assets, net of related debt; \$34,394,020 is restricted for specific purposes; and \$35,390,463 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 \$20,765,463.
- As of June 30, 2005, the City's governmental funds reported combined fund balances of \$76,255,961, an increase of \$3,249,298 in comparison with the prior year. Approximately 53% of the combined fund balances, or \$40,775,411 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 \$11,393,837, or 32% of total General Fund expenditures. Of this, \$4,485,002 is designated as an emergency reserve.
- The City's total long-term debt decreased \$2,749,183 from the prior year. The decrease primarily resulted from scheduled principal payments.

### 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, airport, transit, and waste management operations.

Component units are included in our basic financial statements and consist of legally separate entities for which the City is financially accountable and that have substantially the same board as the City Council or provide services entirely to the City. Component units include the Chico Public Financing Authority, the Chico Parking Authority, and the Chico Redevelopment Agency.

**The government-wide financial statements can be found on pages 13-14 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 15-20 of this report**

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

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, parking,

## Management's Discussion and Analysis (Continued)

private development, airport, transit and waste management 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 21-24 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 25 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 26-46 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 pages 47 of this report.**

**Other Information** The *combining and individual fund statements and schedules* referred to earlier 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 48-68 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 \$270,475,252 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$200,690,769 or 74%, 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, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 94,697.796	\$ 89,790.507	\$ 6,487.565	\$ 8,091.694	\$101,185.361	\$ 97,882.201
Capital assets	204,099.361	190,562.705	69,401.473	67,595.679	273,500.834	258,158.384
Total assets	<u>298,797.157</u>	<u>280,353.212</u>	<u>75,889.038</u>	<u>75,687.372</u>	<u>374,686.195</u>	<u>356,040.585</u>
Current and other liabilities	10,811.803	9,808.618	2,622.471	2,996.326	13,434.274	12,804.944
Long-term liabilities	80,947.712	82,717.329	9,828.957	10,808.523	90,776.669	93,525.852
Total liabilities	<u>91,759.515</u>	<u>92,525.947</u>	<u>12,451.428</u>	<u>13,804.849</u>	<u>104,210.943</u>	<u>106,330.796</u>
Net assets:						
Invested in capital assets, net of related debt	140,733.325	127,868.131	59,957.444	57,241.369	200,690.769	185,109.500
Restricted net assets	34,161.854	34,790.968	232.166	-	34,394.020	34,790.968
Unrestricted net assets	32,142.463	25,168.166	3,248.000	4,641.155	35,390.463	29,809.321
Total net assets	<u>\$ 207,037.642</u>	<u>\$ 187,827.265</u>	<u>\$ 63,437.610</u>	<u>\$ 61,882.524</u>	<u>\$ 270,475.252</u>	<u>\$249,709.789</u>

\* Fiscal year 2004 amounts have been restated to properly record a loan that was originally recorded as an expenditure. See the footnotes to the financial statements for further information.

Another portion of the City's net assets, \$34,390,020 or approximately 13%, represents the City's *restricted net assets*, which are subject to external restrictions on how they may be used.

The remaining balance of \$35,390,463 (13%) represents *unrestricted net assets*, which may be used to meet the City's ongoing obligations to citizens and creditors.

## 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 Year Ended June 30, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 9,827,202	\$ 10,949,328	\$ 12,275,520	\$ 10,484,999	\$ 22,102,722	\$ 21,434,327
Operating grants and contributions	5,192,662	3,294,540	3,827,076	2,957,830	9,019,738	6,252,370
Capital grants and contributions	10,854,235	12,291,175	426,891	2,659,960	11,281,126	14,951,135
<b>General revenues:</b>						
Taxes	45,845,001	39,053,396	-	-	45,845,001	39,053,396
Grants and contributions not restricted to specific programs	5,734,351	3,089,879	-	-	5,734,351	3,089,879
Unrestricted investment earnings	1,654,082	1,286,800	65,081	69,229	1,719,163	1,356,029
Miscellaneous	130,250	717,913	-	-	130,250	717,913
Gain on sale of capital assets	67,491	-	1,027	19,396	68,518	19,396
<b>Total revenues</b>	<b>79,335,274</b>	<b>70,683,031</b>	<b>16,595,595</b>	<b>16,191,414</b>	<b>95,900,869</b>	<b>86,874,445</b>
<b>Expenses:</b>						
General government	4,268,450	4,843,859	-	-	4,268,450	4,843,859
Public safety	27,042,377	26,359,418	-	-	27,042,377	26,359,418
Public works	9,061,125	7,868,310	-	-	9,061,125	7,868,310
Parks and recreation	2,938,764	3,083,159	-	-	2,938,764	3,083,159
Community development	2,905,472	2,123,239	-	-	2,905,472	2,123,239
Community agencies	505,182	-	-	-	505,182	-
Redevelopment	8,706,910	7,990,107	-	-	8,706,910	7,990,107
Interest on long-term debt	3,301,356	3,383,913	-	-	3,301,356	3,383,913
Sewer	-	-	6,451,742	6,010,535	6,451,742	6,010,535
Parking	-	-	738,866	741,438	738,866	741,438
Private development	-	-	4,643,162	3,975,382	4,643,162	3,975,382
Airport	-	-	817,725	810,155	817,725	810,155
Transit	-	-	3,752,890	3,617,103	3,752,890	3,617,103
Waste management	-	-	1,385	91,287	1,385	91,287
<b>Total expenses</b>	<b>58,729,636</b>	<b>55,652,005</b>	<b>16,405,770</b>	<b>15,245,900</b>	<b>75,135,406</b>	<b>70,897,905</b>
Excess before transfers	20,575,638	15,031,026	189,825	945,514	20,765,463	15,976,540
Transfers	(1,365,261)	(16,594,904)	1,365,261	16,594,904	-	-
Change in net assets	19,210,377	(1,563,878)	1,555,086	17,540,418	20,765,463	15,976,540
Net assets – July 1, 2004 – as restated	187,827,265	189,391,143	61,882,524	44,342,106	249,709,789	233,733,249
<b>Net assets – June 30, 2005</b>	<b>\$ 207,037,642</b>	<b>\$ 187,827,265</b>	<b>\$ 63,437,610</b>	<b>\$ 61,882,524</b>	<b>\$ 270,475,252</b>	<b>\$ 249,709,789</b>

\* Fiscal year 2004 amounts have been restated to properly record a loan that was originally recorded as an expenditure. See the footnotes to the financial statements for further information

**Governmental Activities.** The majority of the growth in the City's net assets was generated by Governmental Activities (\$20,575,638 before transfers). Revenues outpaced expenditures due to a number of factors:

- Property taxes increased 33% over the prior year as a result of the fiscal merger of the redevelopment project areas and the removal of the annual limit on tax increment collection combined with new development and increased assessed valuation of existing properties.
- Sales and use tax increased 7% over the prior year due to continued economic growth within the Chico Urban Area.
- Grants and contributions not restricted to specific programs increased over the prior year primarily due to the State repaying \$1,163,000 of the Vehicle License Fee (VLF) backfill monies that were withheld in fiscal year 2003/04.
- Cost containment efforts on operating expenditures (e.g. hiring freeze, deferral of major equipment purchases, etc.) were successful in limiting the increase in total expenses for Governmental Activities.

## Management's Discussion and Analysis (Continued)

Charges for services declined approximately 10%, due to decreases in public facilities impact fees on multi-family residential units, which reached a record high the year before. The decrease in capital grants and contributions was offset by an increase in operating grants and contributions due primarily to the allocation of grants in Community Development.

General government expenses decreased from the prior year due primarily to the separate reporting of expenses related to community agencies as its own line item in the current year and a loss on the disposal of capital assets in the prior year. The increase in public works expenses is mainly attributable to depreciation applicable to the infrastructure added during the year and to costs associated with the cleanup of contaminated soil in the Upper Park Gun Range. Community development expenses increased 36% over the prior year due primarily to a grant of \$675,000 for an affordable senior housing project at 1200 Park Avenue. Redevelopment expenses increased proportionally to the increase in tax increment revenues, with pass-through payments to agencies and statutory pass-through payments responsible for most of the increase.

**Business-type Activities.** Business-type activities, before transfers, increased the City's net assets by \$189,825. Net transfers in from Governmental Activities included \$3,865,096 of capital assets, resulting in an increase to net assets of \$1,555,086 after transfers. 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	\$ 35,098,936	\$ 1,899,081	\$ 7,107,802	\$ 1,499,471	\$ 19,715,071
Expenditures	35,983,485	2,387,655	9,525,712	2,256,406	12,066,648
Other financing sources (uses), net	3,542,292	(21,757)	-	-	(3,937,391)
Change in fund balances	2,657,743	(510,331)	(2,417,910)	(756,935)	3,711,032
Fund balances (deficits), July 1, 2004	9,094,068	2,782,509	15,546,427	(2,623,061)	29,128,026
Fund balances (deficits), June 30, 2005	<u>\$ 11,751,811</u>	<u>\$ 2,272,178</u>	<u>\$ 13,128,517</u>	<u>\$ (3,379,996)</u>	<u>\$ 32,839,058</u>

	Nonmajor Funds			
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Revenues	\$ 1,147,857	\$ 3,287,407	\$ 179,162	\$ 69,934,787
Expenditures	880,965	2,294,590	4,321,934	69,717,395
Other financing sources (uses), net	(52,720)	(724,579)	4,226,061	3,031,906
Change in fund balances	214,172	268,238	83,289	3,249,298
Fund balances, July 1, 2004, as restated	2,200,422	12,451,122	4,427,150	73,006,665
Fund balances, June 30, 2005	<u>\$ 2,414,594</u>	<u>\$ 12,719,360</u>	<u>\$ 4,510,439</u>	<u>\$ 76,255,961</u>

## Management's Discussion and Analysis (Continued)

At June 30, 2005, the City's governmental funds reported combined fund balances of \$76,255,961, an increase of \$3,249,298 in comparison with the prior year. Revenues for governmental funds overall totaled \$69,934,787, an increase of \$8,134,219 (13%) over the prior fiscal year, and expenditures for governmental funds, totaled \$69,717,395, an increase of \$4,038,889 (6%). In the current fiscal year, revenues for governmental funds exceeded expenditures by \$217,392 or less than 1%.

The General Fund is the chief operating fund of the City. At June 30, 2005, unreserved fund balance of the General Fund was \$11,393,837 (with \$4,485,002 of that balance designated for emergencies) while total fund balance reached \$11,751,811. 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 31.7% of total fund expenditures, while total fund balance represents 32.7% of that same amount.

The fund balance of the City's General Fund increased by 29% during the fiscal year. Revenues increased by approximately 11% with increases in most categories. The largest change was an increase of 73% in intergovernmental revenues due to the State repaying \$1,163,084 of VLF backfill that it had withheld during the prior year. Revenues from property taxes decreased due to the State mandated payment of \$770,853 to the Butte County Educational Revenue Augmentation Fund (ERAF), per Senate Bill (SB) 1096. Revenues from utility users' tax and sales and use tax continued to increase as a result of strong construction activity, annexation and a growing retail economy which included the opening of many new retail outlets.

Expenditures in the Housing Fund exceeded revenues (after transfers) by \$510,331. The excess of expenditures over revenues was the result of costs incurred during the current year for which reimbursements have not yet been received.

The Public Facilities Impact Fees Fund revenues decreased by approximately \$1.5 million or 18%. In the prior year an unusually large number of multi-family residential housing permits were issued, causing a spike in revenue. Capital outlay expenditures in the fund increased by approximately \$1.3 million or 25% as development related infrastructure was completed.

Expenditures in the Capital Grants Fund exceeded revenues by approximately \$750,000. The excess of expenditures over revenues was the result of construction projects costs incurred during the current year for which reimbursements have not yet been received.

Redevelopment Agency Fund tax increment revenue increased \$6.0 million or 48% over the prior year. Approximately \$3.8 million of the increase is attributable to the fiscal merger of redevelopment project areas and the elimination of the annual tax increment collection limit. The balance of the increase is attributable to an increase in assessed valuation resulting from commercial and residential development as well as the resale of existing properties.

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

## Management's Discussion and Analysis (Continued)

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

	Sewer	Parking	Private Develop- ment	Transit
Operating revenues	\$ 6,813,123	\$ 774,654	\$ 3,736,250	\$ 500,276
Operating expenses	6,246,447	563,305	4,609,305	3,752,517
Operating income (loss)	566,676	211,349	(873,055)	(3,252,241)
Nonoperating revenues (expenses), net	(111,744)	(153,688)	(17,224)	3,815,721
Income (loss) before contributions and transfers	454,932	57,661	(890,279)	563,480
Contributions and transfers	711,170	141,435	(470,159)	(1,078,019)
Change in net assets	<u>\$ 1,166,102</u>	<u>\$ 199,096</u>	<u>\$ (1,360,438)</u>	<u>\$ (514,539)</u>

	Airport	Waste Management	Total
Operating revenues	\$ 382,452	\$ -	\$ 12,206,755
Operating expenses	814,777	1,385	15,987,736
Operating income (loss)	(432,325)	(1,385)	(3,780,981)
Nonoperating revenues (expenses), net	66,970	3,247	3,603,282
Income (loss) before contributions and transfers	(365,355)	1,862	(177,699)
Contributions and transfers	2,491,966	(4,241)	1,792,152
Change in net assets	<u>\$ 2,126,611</u>	<u>\$ (2,379)</u>	<u>\$ 1,614,453</u>

The enterprise funds experienced a loss before contributions and transfers of \$177,699. Capital contributions of \$4,358,788 and net transfers out of \$2,566,636 bring the total combined change in net assets to \$1,614,453. As noted earlier, \$3,865,096 of the amount was the transfer in of capital assets from governmental activities.

- Sewer Fund revenues increased as a result of Council adopted fee increases to be used for operations and to repay a State loan for the expansion of the Water Pollution Control Plant.
- Parking Fund revenues have covered expenses, including interest on outstanding debt, which meets the Debt Service Coverage Ratio for this fund. The Council approved the doubling of parking meter rates (effective July 1, 2005), which will increase the revenue to meet the growing demand for increased parking within the City's downtown business area.
- 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. To remedy this situation, the City Council recently approved a Development Services Fee Study and adopted increased fees for development services to recover the full cost of providing the services.
- The Transit Fund currently shows a decline in net assets due to the transfer of \$1,079,019 to the General Fund to assist with street and road maintenance. City administration of transit operations will be discontinued effective July 1, 2005, and the assets will be transferred to the Butte County Association of Governments, who will administer both City and countywide transit operations.
- The Airport Fund currently shows an operating loss due to declining revenues due to a slow recovery after September 11, 2001. Operational changes have been undertaken and a five-year plan has been developed to move the fund into the black. Capital contributions were for hanger construction and taxiway improvements.

## Management's Discussion and Analysis (Continued)

### 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 19 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 relatively modest, with total estimated revenues increasing approximately \$1.1 million or 3.5% and total appropriations increasing approximately \$1 million or 2.7%. The budget amount for property taxes includes \$3.8 million of property tax in-lieu of VLF, which should have been shown as intergovernmental revenue. The City anticipated receiving the State repayment of VLF backfill monies of \$1.1 million in fiscal year 2006/07, therefore, this revenue was not reflected in the fiscal year 2004/05 budget. Subsequently, property taxes were under budget by \$3.8 million and Intergovernmental revenues exceeded budget by \$4.9 million, while other revenues actually exceeded budgetary estimates by approximately \$1 million due primarily to slight increase in all categories except miscellaneous. Expenditures were less than budgetary estimates by approximately \$2.6 million due to cost containment measures in all departments and budgeted capital projects that were not completed during the year.

### 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, 2005, amounted to \$273,500,834 (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 6%.

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
	2005	2004	2005	2004	2005	2004	
Land	\$ 25,115.730	\$ 24,794.423	\$ 2,154.341	\$ 2,154.341	\$ 27,270.071	\$ 26,948.764	1%
Buildings	10,371.623	10,769.861	9,051.571	9,541.155	19,423.194	20,311.016	(4%)
Improvements	4,667.411	4,956.573	49,155.713	50,112.015	53,823.124	55,068.588	(2%)
Equipment	6,178.446	6,528.573	3,573.156	3,797.728	9,751.602	10,326.301	(6%)
Infrastructure	146,577.827	132,080.806	-	-	146,577.827	132,080.806	11%
Construction in progress	11,188.324	11,432.469	5,466.692	1,990.440	16,655.016	13,422.909	24%
Total	<u>\$204,099,361</u>	<u>\$190,562,705</u>	<u>\$ 69,401,473</u>	<u>\$ 67,595,679</u>	<u>\$273,500,834</u>	<u>\$ 258,158,384</u>	6%

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

- Infrastructure – Completion of major road construction projects along the East Avenue corridor as well as accepted subdivision and annexations.
- Construction in progress – Major construction projects include the reconstruction of West 8th Avenue, the construction of a solar power generation facility at the Water Pollution Control Plant, the construction of a new hangar facility along with upgraded security access system and gates at the Chico Municipal Airport as well as various minor infrastructure projects still in progress at fiscal year end.

Additional information on the City's capital assets can be found in note II.C on page 36 of this report.

## Management's Discussion and Analysis (Continued)

### Long-term debt

At June 30, 2005, the City had total long-term liabilities outstanding of \$90,776,669, net of unamortized discounts and deferred amounts on refunding, as compared to \$93,525,852 in the prior year. This amount was comprised of \$54,885,000 of revenue bonds, \$2,739,240 of estimated compensated absences, \$3,622,400 of claims liability, \$29,491,983 of loans payable and \$92,093 of capital leases. During the year, retirement of debt and other reductions amounted to \$4,773,394 and additions totaled \$2,024,211. The largest portion of additions is attributable to an increase of \$1,762,612 in claims liability due to workers compensation injuries.

Additional information on the City's long-term debt can be found in note II.D on pages 38-40 of this report.

### Economic Factors and Next Year's Budget

The City closed the fiscal year in a good financial position, with a General Fund balance of \$11,751,811, an increase of \$2,657,743 over the prior year. Annexations, new development, population increases, and new businesses continue to generate increases in tax revenues, particularly property tax, sales and use tax and utility users' tax.

The fiscal year 2005/06 budget for the City's General Fund reflects a projected revenue decrease from the prior year due to the State of California repaying \$1,163,084 for the VLF backfill loan from fiscal year 2003/04 earlier than anticipated. As the City continues to grow through annexations and new development, it is anticipated that the major revenue sources (e.g. sales and use tax, property tax and utility users' tax) will show positive growth in future years. In addition, the City's transient occupancy tax is expected to increase due to the addition of three new hotels in the past year. Due to increasing service demands resulting from the City's growth and annexation activity, expenditures are expected to increase accordingly.

The projected outlook for the City's Enterprise Funds includes a variety of fee increases to cover the rising costs and service demands for the Parking, Sewer and Private Development activities, as discussed in the Financial Analysis of the City's Funds section above.

On November 17, 2005, the Chico Redevelopment Agency issued \$68,500,000 in Tax Allocation Bonds. After deducting the associated issuance costs and reserve requirements, an additional \$64,058,099 will be available to be spent on eligible Redevelopment projects.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chico, Finance Department, P.O. Box 3420, Chico, CA 95927.

## ***BASIC FINANCIAL STATEMENTS***

*The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.*

*The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Fund.*

*The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.*

***GOVERNMENT-WIDE FINANCIAL  
STATEMENTS***



CITY OF CHICO  
INC 1872

**CITY OF CHICO, CALIFORNIA  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 69,480,445	\$ 5,898,242	\$ 75,378,687
Receivables	22,072,239	2,867,282	24,939,521
Internal balances	2,319,453	(2,319,453)	-
Other assets	825,659	41,494	867,153
Capital assets:			
Nondepreciable	36,304,054	7,621,033	43,925,087
Depreciable, net	167,795,307	61,780,440	229,575,747
Total assets	<u>298,797,157</u>	<u>75,889,038</u>	<u>374,686,195</u>
<b>LIABILITIES</b>			
Payables	5,557,424	1,018,566	6,575,990
Intergovernmental payable	3,613,338	80,278	3,693,616
Interest payable	1,067,073	189,827	1,256,900
Deposits	-	341,370	341,370
Unearned revenue	573,968	992,430	1,566,398
Long-term liabilities:			
Due within one year	4,373,405	442,372	4,815,777
Due in more than one year	76,574,307	9,386,585	85,960,892
Total liabilities	<u>91,759,515</u>	<u>12,451,428</u>	<u>104,210,943</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	140,733,325	59,957,444	200,690,769
Restricted for:			
Capital projects	1,911,612	-	1,911,612
Debt service	7,972,229	232,166	8,204,395
Redevelopment	21,234,094	-	21,234,094
Other purposes	3,043,919	-	3,043,919
Unrestricted	32,142,463	3,248,000	35,390,463
Total net assets	<u>\$ 207,037,642</u>	<u>\$ 63,437,610</u>	<u>\$ 270,475,252</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, 2005**

	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	\$ 4,268,450	\$ 235,592	\$ -	\$ 15,760	\$ (4,017,098)	\$ -	\$ (4,017,098)
Public safety	27,042,377	1,141,949	577,623	43,844	(25,278,961)	-	(25,278,961)
Public works	9,061,125	1,085,978	1,771,693	10,638,545	4,435,091	-	4,435,091
Parks and recreation	2,938,764	15,574	-	156,086	(2,767,104)	-	(2,767,104)
Community development	2,905,472	7,241,861	2,770,665	-	7,107,054	-	7,107,054
Community agencies	505,182	-	-	-	(505,182)	-	(505,182)
Redevelopment	8,706,910	106,248	72,681	-	(8,527,981)	-	(8,527,981)
Interest on long-term debt	3,301,356	-	-	-	(3,301,356)	-	(3,301,356)
Total governmental activities	<u>58,729,636</u>	<u>9,827,202</u>	<u>5,192,662</u>	<u>10,854,235</u>	<u>(32,855,537)</u>	<u>-</u>	<u>(32,855,537)</u>
Business-type activities:							
Sewer	6,451,742	6,813,573	-	403,948	-	765,779	765,779
Parking	738,866	774,654	-	-	-	35,788	35,788
Private development	4,643,162	3,736,579	-	-	-	(906,583)	(906,583)
Airport	817,725	448,038	-	-	-	(369,687)	(369,687)
Transit	3,752,890	502,676	3,827,076	22,943	-	599,805	599,805
Waste management	1,385	-	-	-	-	(1,385)	(1,385)
Total business-type activities	<u>16,405,770</u>	<u>12,275,520</u>	<u>3,827,076</u>	<u>426,891</u>	<u>-</u>	<u>123,717</u>	<u>123,717</u>
Total primary government	<u>\$ 75,135,406</u>	<u>\$ 22,102,722</u>	<u>\$ 9,019,738</u>	<u>\$ 11,281,126</u>	<u>(32,855,537)</u>	<u>123,717</u>	<u>(32,731,820)</u>
General revenues:							
Taxes:							
Property taxes					21,441,673	-	21,441,673
Sales and use tax					12,415,575	-	12,415,575
Sales tax in-lieu					3,410,666	-	3,410,666
Utility users tax					5,334,277	-	5,334,277
Other taxes					3,242,810	-	3,242,810
Grants and contributions not restricted to specific programs					5,734,351	-	5,734,351
Unrestricted investment earnings					1,654,082	65,081	1,719,163
Miscellaneous					130,250	-	130,250
Gain on sale of capital assets					67,491	1,027	68,518
Transfers					(1,365,261)	1,365,261	-
Total general revenues and transfers					<u>52,065,914</u>	<u>1,431,369</u>	<u>53,497,283</u>
Change in net assets					19,210,377	1,555,086	20,765,463
Net assets, beginning of year, as restated					<u>187,827,265</u>	<u>61,882,524</u>	<u>249,709,789</u>
Net assets, end of year					<u>\$ 207,037,642</u>	<u>\$ 63,437,610</u>	<u>\$ 270,475,252</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
  - Storm drainage facility
  - Sewer trunk line capacity
  - Water Pollution Control Plant capacity
  - Sewer lift stations
  - Community park
  - Bidwell Park land acquisition
  - Major maintenance equipment
  - Administrative building
  - Fire protection building and equipment
  - Police protection building and equipment
  - Neighborhood parks
  
- **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.
- **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).
- **Airport**  
Accounts for airport operations and improvements.
- **Waste Management**  
Accounts for solid waste management and recycling activities and household hazardous materials waste recycling and disposal activities.

### **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, 2005**

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 5,532,058	\$ 621,862	\$ 13,530,827	\$ -	\$ 27,557,157	\$ 13,578,483	\$ 60,820,387
Receivables:							
Interest	-	438,188	-	-	952,702	-	1,390,890
Taxes	218,482	-	2,109	-	401,476	11,602	633,669
Accounts	757,878	-	-	-	-	23,121	780,999
Intergovernmental	1,812,041	166,665	21,579	3,379,539	-	146,808	5,526,632
Loans	-	2,476,155	-	-	10,439,559	802,973	13,718,687
Due from other funds	5,474,886	-	-	-	-	-	5,474,886
Deposits with others	-	-	418,266	41,125	85,582	20,445	565,418
Prepaid items	8,089	-	-	-	-	-	8,089
Advances to other funds	-	-	-	-	-	1,034,834	1,034,834
Restricted assets:							
Cash and investments	-	-	-	-	-	4,510,439	4,510,439
Total assets	<u>\$ 13,803,434</u>	<u>\$ 3,702,870</u>	<u>\$ 13,972,781</u>	<u>\$ 3,420,664</u>	<u>\$ 39,436,476</u>	<u>\$ 20,128,705</u>	<u>\$ 94,464,930</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 396,443	\$ 195,165	\$ 844,264	\$ 185,174	\$ 2,030,454	\$ 432,602	\$ 4,084,102
Accrued salaries and benefits	1,096,107	3,798	-	-	11,853	33,792	1,145,550
Intergovernmental payable	52,171	-	-	3,867	3,546,689	8,929	3,611,656
Due to other funds	-	-	-	3,216,110	-	-	3,216,110
Deferred revenue	478,608	605,254	-	3,395,509	1,005,422	8,989	5,493,782
Other accrued liabilities	28,294	-	-	-	3,000	-	31,294
Advances from other funds	-	626,475	-	-	-	-	626,475
Total liabilities	<u>2,051,623</u>	<u>1,430,692</u>	<u>844,264</u>	<u>6,800,660</u>	<u>6,597,418</u>	<u>484,312</u>	<u>18,208,969</u>
Fund balances:							
Reserved for:							
Encumbrances	349,885	965,663	1,806,580	1,243,784	6,809,652	1,005,729	12,181,293
Deposits with others	-	-	418,266	41,125	85,582	20,445	565,418
Prepaid items	8,089	-	-	-	-	-	8,089
Debt service	-	-	3,461,790	-	-	4,510,439	7,972,229
Loans receivable	-	2,476,155	-	-	10,439,559	802,973	13,718,687
Advances to other funds	-	-	-	-	-	1,034,834	1,034,834
Unreserved reported in:							
General Fund:							
Designated for emergencies	4,485,002	-	-	-	-	-	4,485,002
Undesignated	6,908,835	-	-	-	-	-	6,908,835
Special revenue funds:							
Designated for capital replacement	-	-	-	-	-	415,086	415,086
Undesignated	-	(1,169,640)	-	-	-	1,456,879	287,239
Capital projects funds:							
Undesignated	-	-	7,441,881	(4,664,905)	15,504,265	10,398,008	28,679,249
Total fund balances	<u>11,751,811</u>	<u>2,272,178</u>	<u>13,128,517</u>	<u>(3,379,996)</u>	<u>32,839,058</u>	<u>19,644,393</u>	<u>76,255,961</u>
Total liabilities and fund balances	<u>\$ 13,803,434</u>	<u>\$ 3,702,870</u>	<u>\$ 13,972,781</u>	<u>\$ 3,420,664</u>	<u>\$ 39,436,476</u>	<u>\$ 20,128,705</u>	<u>\$ 94,464,930</u>

**CITY OF CHICO, CALIFORNIA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2005**

Total fund balances - total governmental funds (page 15)		\$ 76,255,961
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.		203,442,737
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		4,919,814
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.		569,657
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term obligations	(74,878,907)	
Compensated absences	(2,204,547)	
Accrued interest payable	(1,067,073)	
		<u>(78,150,527)</u>
Net assets of governmental activities - (page 13)		<u>\$ 207,037,642</u>

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, 2005**

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 2,762,560	\$ -	\$ -	\$ -	\$ 18,679,113	\$ -	\$21,441,673
Sales and use taxes	15,826,242	-	-	-	-	-	15,826,242
Other taxes	8,577,086	-	-	-	-	-	8,577,086
Licenses and permits	78,587	-	-	-	-	-	78,587
Intergovernmental	6,209,471	1,760,233	-	1,145,872	180,000	2,535,074	11,830,650
Charges for services	203,930	-	6,707,114	-	11,113	1,602,044	8,524,201
Fines, forfeitures, and penalties	838,246	-	-	-	-	69,319	907,565
Use of money and property	468,620	138,848	400,688	-	749,710	407,160	2,165,026
Miscellaneous	134,194	-	-	353,599	95,135	829	583,757
<b>Total revenues</b>	<b>35,098,936</b>	<b>1,899,081</b>	<b>7,107,802</b>	<b>1,499,471</b>	<b>19,715,071</b>	<b>4,614,426</b>	<b>69,934,787</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	3,589,360	-	-	15,760	-	291,412	3,896,532
Public safety	25,723,460	-	-	4,261	-	216,285	25,944,006
Public works	3,235,531	-	-	8,244	-	1,874,541	5,118,316
Parks and recreation	2,578,414	-	-	61,633	-	-	2,640,047
Community development	299,415	1,469,464	1,056,582	-	-	49,273	2,874,734
Community agencies	504,847	-	-	-	-	-	504,847
Redevelopment	-	-	-	-	8,674,210	-	8,674,210
Capital outlay	52,458	918,191	6,738,858	2,166,508	3,392,438	744,044	14,012,497
<b>Debt service:</b>							
Principal retirement	-	-	1,118,431	-	-	1,595,000	2,713,431
Interest and fiscal charges	-	-	611,841	-	-	2,726,934	3,338,775
<b>Total expenditures</b>	<b>35,983,485</b>	<b>2,387,655</b>	<b>9,525,712</b>	<b>2,256,406</b>	<b>12,066,648</b>	<b>7,497,489</b>	<b>69,717,395</b>
Excess (deficiency) of revenues over (under) expenditures	(884,549)	(488,574)	(2,417,910)	(756,935)	7,648,423	(2,883,063)	217,392
<b>Other financing sources (uses)</b>							
Transfers in	4,778,331	-	-	-	-	5,815,958	10,594,289
Transfers out	(1,236,039)	(21,757)	-	-	(4,454,761)	(2,367,196)	(8,079,753)
Proceeds from sale of capital assets	-	-	-	-	517,370	-	517,370
<b>Total other financing sources (uses)</b>	<b>3,542,292</b>	<b>(21,757)</b>	<b>-</b>	<b>-</b>	<b>(3,937,391)</b>	<b>3,448,762</b>	<b>3,031,906</b>
<b>Net change in fund balances</b>	<b>2,657,743</b>	<b>(510,331)</b>	<b>(2,417,910)</b>	<b>(756,935)</b>	<b>3,711,032</b>	<b>565,699</b>	<b>3,249,298</b>
<b>Fund balances (deficit), beginning of year, as restated</b>	<b>9,094,068</b>	<b>2,782,509</b>	<b>15,546,427</b>	<b>(2,623,061)</b>	<b>29,128,026</b>	<b>19,078,694</b>	<b>73,006,663</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 11,751,811</b>	<b>\$ 2,272,178</b>	<b>\$ 13,128,517</b>	<b>\$ (3,379,996)</b>	<b>\$ 32,839,058</b>	<b>\$ 19,644,393</b>	<b>\$76,255,961</b>

**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, 2005**

Net change in fund balances - total governmental funds (page 17) \$ 3,249,298

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	14,012,497	
Depreciation expense	<u>(5,213,927)</u>	8,798,570

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	(4,312,975)
Capital contributions	8,697,516

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

Deferred revenue	550,563
------------------	---------

The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but does not have an effect on net assets.

2,713,431

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	37,419
Compensated absences	(214,530)

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.

(308,915)

Change in net assets of governmental activities (page 14) \$ 19,210,377

**CITY OF CHICO, CALIFORNIA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 2,860,500	\$ 6,381,170	\$ 2,762,560	\$ (3,618,610)
Sales and use taxes	14,852,500	15,299,300	15,826,242	526,942
Other taxes	8,367,470	8,426,872	8,577,086	150,214
Licenses and permits	55,130	60,544	78,587	18,043
Intergovernmental	4,511,216	1,240,592	6,209,471	4,968,879
Charges for services	142,800	161,510	203,930	42,420
Fines, forfeitures, and penalties	755,800	800,829	838,246	37,417
Use of money and property	250,394	274,870	468,620	193,750
Miscellaneous	15,000	290,654	134,194	(156,460)
Total revenues	<u>31,810,810</u>	<u>32,936,341</u>	<u>35,098,936</u>	<u>2,162,595</u>
EXPENDITURES:				
Current:				
General government	4,103,083	4,043,129	3,589,360	453,769
Public safety	26,482,657	26,660,747	25,723,460	937,287
Public works	3,422,883	3,527,973	3,235,531	292,442
Parks and recreation	2,739,092	2,851,613	2,578,414	273,199
Community development	280,349	354,241	299,415	54,826
Community agencies	506,133	526,433	504,847	21,586
Capital outlay	22,400	621,533	52,458	569,075
Total expenditures	<u>37,556,598</u>	<u>38,585,669</u>	<u>35,983,485</u>	<u>2,602,184</u>
Deficiency of revenues under expenditures	<u>(5,745,788)</u>	<u>(5,649,328)</u>	<u>(884,549)</u>	<u>4,764,779</u>
Other financing sources (uses):				
Transfers in	4,652,914	5,217,477	4,778,331	(439,146)
Transfers out	(918,320)	(1,235,336)	(1,236,039)	(703)
Total other financing sources (uses)	<u>3,734,594</u>	<u>3,982,141</u>	<u>3,542,292</u>	<u>(439,849)</u>
Net change in fund balance	(2,011,194)	(1,667,187)	2,657,743	4,324,930
Fund balance, beginning of year	<u>9,094,068</u>	<u>9,094,068</u>	<u>9,094,068</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,082,874</u>	<u>\$ 7,426,881</u>	<u>\$ 11,751,811</u>	<u>\$ 4,324,930</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 2,051,199	\$ 3,970,908	\$ 1,760,233	\$ (2,210,675)
Use of money and property	14,800	123,349	138,848	15,499
Miscellaneous	50,000	499,403	-	(499,403)
Total revenues	<u>2,115,999</u>	<u>4,593,660</u>	<u>1,899,081</u>	<u>(2,694,579)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Community development	1,594,243	3,096,422	1,469,464	1,626,958
Capital outlay	250,000	2,604,696	918,191	1,686,505
Total expenditures	<u>1,844,243</u>	<u>5,701,118</u>	<u>2,387,655</u>	<u>3,313,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>271,756</u>	<u>(1,107,458)</u>	<u>(488,574)</u>	<u>618,884</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	1,502,235	-	(1,502,235)
Transfers out	(271,757)	(284,044)	(21,757)	262,287
Total other financing sources (uses)	<u>(271,757)</u>	<u>1,218,191</u>	<u>(21,757)</u>	<u>(1,239,948)</u>
Net change in fund balance	(1)	110,733	(510,331)	(621,064)
Fund balance, beginning of year	<u>2,782,509</u>	<u>2,782,509</u>	<u>2,782,509</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,782,508</u>	<u>\$ 2,893,242</u>	<u>\$ 2,272,178</u>	<u>\$ (621,064)</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, 2005**

Business-type Activities - Enterprise Funds

	Sewer	Parking	Private Development	Transit	Airport	Waste Management	Total Enterprise	Governmental Activities- Internal Service Funds
<b>ASSETS</b>								
Current assets:								
Cash and investments	\$ 4,715,540	\$ 775,242	\$ -	\$ -	\$ -	\$ 175,294	\$ 5,666,076	\$ 4,064,619
Receivables:								
Accounts	590,446	2,117	164,730	5,622	46,344	-	809,259	1,768
Intergovernmental	67,099	-	-	1,987,856	3,068	-	2,058,023	19,594
Inventories	-	-	-	-	-	-	-	34,848
Other assets	-	41,494	-	-	-	-	41,494	217,304
Total current assets	<u>5,373,085</u>	<u>818,853</u>	<u>164,730</u>	<u>1,993,478</u>	<u>49,412</u>	<u>175,294</u>	<u>8,574,852</u>	<u>4,338,133</u>
Noncurrent assets:								
Restricted cash and investments	-	232,166	-	-	-	-	232,166	85,000
Land and construction in progress	1,467,225	1,457,674	7,413	138,489	4,550,232	-	7,621,033	453,884
Other capital assets, net of accumulated depreciation	50,229,386	3,601,586	72,860	3,198,368	4,678,240	-	61,780,440	202,740
Total noncurrent assets	<u>51,696,611</u>	<u>5,291,426</u>	<u>80,273</u>	<u>3,336,857</u>	<u>9,228,472</u>	<u>-</u>	<u>69,633,639</u>	<u>741,624</u>
Total assets	<u>57,069,696</u>	<u>6,110,279</u>	<u>245,003</u>	<u>5,330,335</u>	<u>9,277,884</u>	<u>175,294</u>	<u>78,208,491</u>	<u>5,079,757</u>
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	600,573	14,982	103,452	216,051	12,976	16	948,050	272,384
Accrued salaries and benefits	27,991	1,828	39,512	-	1,185	-	70,516	24,094
Intergovernmental payable	13,247	-	10,041	56,990	-	-	80,278	1,682
Due to other funds	-	-	392,571	1,720,437	60,398	-	2,173,406	85,370
Interest payable	127,561	62,266	-	-	-	-	189,827	-
Deposits	-	-	341,370	-	-	-	341,370	-
Claims liability - current portion	-	-	-	-	-	-	-	1,510,260
Long-term debt - current portion	362,372	80,000	-	-	-	-	442,372	55,635
Deferred revenue	4,528	-	987,827	-	75	-	992,430	-
Total current liabilities	<u>1,136,272</u>	<u>159,076</u>	<u>1,874,773</u>	<u>1,993,478</u>	<u>74,634</u>	<u>16</u>	<u>5,238,249</u>	<u>1,949,425</u>
Noncurrent liabilities:								
Long-term debt:								
Revenue bonds payable, net	-	2,285,953	-	-	-	-	2,285,953	-
Loan payable	6,715,704	-	-	-	-	-	6,715,704	-
Advances from other funds	-	-	-	-	-	-	-	408,359
Compensated absences	158,968	13,248	196,581	-	16,131	-	384,928	149,765
Capital leases	-	-	-	-	-	-	-	36,458
Claims liability	-	-	-	-	-	-	-	2,112,140
Total noncurrent liabilities	<u>6,874,672</u>	<u>2,299,201</u>	<u>196,581</u>	<u>-</u>	<u>16,131</u>	<u>-</u>	<u>9,386,585</u>	<u>2,706,722</u>
Total liabilities	<u>8,010,944</u>	<u>2,458,277</u>	<u>2,071,354</u>	<u>1,993,478</u>	<u>90,765</u>	<u>16</u>	<u>14,624,834</u>	<u>4,656,147</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	44,618,535	2,693,307	80,273	3,336,857	9,228,472	-	59,957,444	564,531
Restricted for debt service	-	232,166	-	-	-	-	232,166	-
Unrestricted	4,440,217	726,529	(1,906,624)	-	(41,353)	175,278	3,394,047	(140,921)
Total net assets (deficit)	<u>\$ 49,058,752</u>	<u>\$ 3,652,002</u>	<u>\$ (1,826,351)</u>	<u>\$ 3,336,857</u>	<u>\$ 9,187,119</u>	<u>\$ 175,278</u>	<u>\$ 63,583,657</u>	<u>\$ 423,610</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(146,047)	
Net assets of business-type activities							<u>\$ 63,437,610</u>	

**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2005**

Business-type Activities - Enterprise Funds

	Sewer	Parking	Private Development	Transit	Airport	Waste Management	Total Enterprise	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES:</b>								
Charges for services	\$ 6,810,273	\$ 774,654	\$ 2,428,952	\$ 500,276	\$ 46,445	\$ -	\$ 10,560,600	\$ 6,489,048
Licenses and permits	-	-	1,307,298	-	-	-	1,307,298	-
Rental charges	2,850	-	-	-	336,007	-	338,857	-
Total operating revenues	<u>6,813,123</u>	<u>774,654</u>	<u>3,736,250</u>	<u>500,276</u>	<u>382,452</u>	<u>-</u>	<u>12,206,755</u>	<u>6,489,048</u>
<b>OPERATING EXPENSES:</b>								
Salaries and benefits	1,820,521	258,394	2,960,961	82,791	255,212	1,195	5,379,074	2,237,232
Materials and supplies	1,071,737	36,210	49,249	436,568	74,121	-	1,667,885	1,311,081
Purchased services	311,722	44,399	727,607	2,611,678	71,088	-	3,766,494	1,354,338
Other expenses	671,134	36,210	859,003	219,015	70,299	190	1,855,851	2,047,162
Depreciation	2,371,333	188,092	12,485	402,465	344,057	-	3,318,432	80,865
Total operating expenses	<u>6,246,447</u>	<u>563,305</u>	<u>4,609,305</u>	<u>3,752,517</u>	<u>814,777</u>	<u>1,385</u>	<u>15,987,736</u>	<u>7,030,678</u>
Operating income (loss)	<u>566,676</u>	<u>211,349</u>	<u>(873,055)</u>	<u>(3,252,241)</u>	<u>(432,325)</u>	<u>(1,385)</u>	<u>(3,780,981)</u>	<u>(541,630)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>								
Intergovernmental	-	-	-	3,827,076	-	-	3,827,076	5,804
Investment earnings	75,114	18,131	(19,040)	(13,755)	1,384	3,247	65,081	28,864
Interest expense	(186,848)	(171,819)	-	-	-	-	(358,667)	-
Miscellaneous	450	-	329	2,400	65,586	-	68,765	129,330
Gain/(loss) on disposal of capital assets	(460)	-	1,487	-	-	-	1,027	-
Total nonoperating revenues (expenses)	<u>(111,744)</u>	<u>(153,688)</u>	<u>(17,224)</u>	<u>3,815,721</u>	<u>66,970</u>	<u>3,247</u>	<u>3,603,282</u>	<u>163,998</u>
Income (loss) before contributions and transfer	454,932	57,661	(890,279)	563,480	(365,355)	1,862	(177,699)	(377,632)
Capital contributions	1,290,831	217,558	17,042	277,915	2,555,442	-	4,358,788	26,053
Transfers in	-	-	53,836	10,773	-	68,801	133,410	-
Transfers out	(579,661)	(76,123)	(541,037)	(1,366,707)	(63,476)	(73,042)	(2,700,046)	(16,701)
Change in net assets	<u>1,166,102</u>	<u>199,096</u>	<u>(1,360,438)</u>	<u>(514,539)</u>	<u>2,126,611</u>	<u>(2,379)</u>	<u>1,614,453</u>	<u>(368,280)</u>
Net assets (deficit), beginning of year	47,892,650	3,452,906	(465,913)	3,851,396	7,060,508	177,657		791,890
Net assets (deficit), end of year	<u>\$ 49,058,752</u>	<u>\$ 3,652,002</u>	<u>\$ (1,826,351)</u>	<u>\$ 3,336,857</u>	<u>\$ 9,187,119</u>	<u>\$ 175,278</u>		<u>\$ 423,610</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

(59,367)  
\$ 1,555,086

**CITY OF CHICO, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005**

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Transit	Airport	Waste Management	Total Enterprise	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from customers and users	\$ 6,663,709	\$ 774,577	\$ 3,807,386	\$ 500,559	\$ 433,499	\$ -	\$ 12,179,730	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	-	6,645,750
Payments to suppliers and claimants	(1,505,052)	(103,126)	(1,160,988)	(3,376,218)	(166,802)	(2,387)	(6,314,573)	(3,899,927)
Payments to employees	(1,856,693)	(266,914)	(3,082,262)	(96,955)	(275,973)	(2,450)	(5,581,247)	(2,328,963)
Payments for interfund services used	(217,171)	(27,494)	(425,531)	(2,140)	(50,072)	(25)	(722,433)	-
Net cash provided (used) by operating activities	<u>3,084,793</u>	<u>377,043</u>	<u>(861,395)</u>	<u>(2,974,754)</u>	<u>(59,348)</u>	<u>(4,862)</u>	<u>(438,523)</u>	<u>416,860</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Operating grants received	-	-	-	3,632,778	-	-	3,632,778	47,442
Interfund borrowings	-	-	392,571	710,653	60,398	-	1,163,622	408,359
Transfers in	-	-	53,836	10,773	-	68,801	133,410	-
Transfers out	(579,661)	(76,123)	(541,037)	(1,366,707)	(63,476)	(4,241)	(2,631,245)	(16,701)
Net cash provided (used) by noncapital financing activities	<u>(579,661)</u>	<u>(76,123)</u>	<u>(94,630)</u>	<u>2,987,497</u>	<u>(3,078)</u>	<u>64,560</u>	<u>2,298,565</u>	<u>439,100</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Acquisition and construction of capital assets	(786,079)	(19,662)	(32,178)	(21,931)	-	-	(859,850)	(430,725)
Capital contributions	-	-	-	22,943	-	-	22,943	-
Principal paid on long-term debt	(353,189)	(560,000)	-	-	-	-	(913,189)	(68,008)
Interest paid	(193,213)	(186,127)	(19,040)	(13,755)	-	-	(412,135)	-
Proceeds from sale of capital assets	-	-	2,974	-	-	-	2,974	-
Net cash used by capital and related financing activities	<u>(1,332,481)</u>	<u>(765,789)</u>	<u>(48,244)</u>	<u>(12,743)</u>	<u>-</u>	<u>-</u>	<u>(2,159,257)</u>	<u>(498,733)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest received	75,114	21,039	-	-	1,384	3,247	100,784	28,864
Net increase (decrease) in cash and cash equivalents	1,247,765	(443,830)	(1,004,269)	-	(61,042)	62,945	(198,431)	386,091
CASH AND INVESTMENTS, beginning of year	3,467,775	1,451,238	1,004,269	-	61,042	112,349	6,096,673	3,763,528
CASH AND INVESTMENTS, end of year	<u>\$ 4,715,540</u>	<u>\$ 1,007,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,294</u>	<u>\$ 5,898,242</u>	<u>\$ 4,149,619</u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS:</b>								
Cash and investments	\$ 4,715,540	\$ 775,242	\$ -	\$ -	\$ -	\$ 175,294	\$ 5,666,076	\$ 4,064,619
Restricted cash and investments	-	232,166	-	-	-	-	232,166	85,000
CASH AND INVESTMENTS, end of year	<u>\$ 4,715,540</u>	<u>\$ 1,007,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,294</u>	<u>\$ 5,898,242</u>	<u>\$ 4,149,619</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, 2005**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Sewer	Parking	Private Development	Transit	Airport	Waste Mangement		Total Enterprise
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	\$ 566,676	\$ 211,349	\$ (873,055)	\$ (3,252,241)	\$ (432,325)	\$ (1,385)	\$ (3,780,981)	\$ (541,630)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	2,371,333	188,092	12,485	402,465	344,057	-	3,318,432	80,865
Miscellaneous	450	-	329	2,400	65,586	-	68,765	129,330
Change in assets and liabilities:								
Accounts receivable	(83,277)	(77)	(28,381)	(2,117)	(14,614)	-	(128,466)	12,629
Intergovernmental receivables	(66,899)	-	163	-	-	-	(66,736)	14,743
Inventories	-	-	-	-	-	-	-	9,096
Other assets	-	2,233	330	-	-	-	2,563	(26,965)
Accounts payable	336,488	(16,034)	53,018	(162,940)	(1,366)	(927)	208,239	(91,739)
Accrued salaries and benefits	(38,320)	(7,789)	(74,046)	(4,107)	(7,371)	(1,255)	(132,888)	-
Due to other funds	-	-	-	-	-	-	-	85,370
Intergovernmental payable	(4,118)	-	(4,008)	51,843	-	(1,295)	42,422	(11,799)
Compensated absences	2,148	(731)	(47,255)	(10,057)	(13,390)	-	(69,285)	(68,931)
Deferred revenue	312	-	119,622	-	75	-	120,009	-
Deposits	-	-	(20,597)	-	-	-	(20,597)	-
Claims liability	-	-	-	-	-	-	-	825,891
Total adjustments	<u>2,518,117</u>	<u>165,694</u>	<u>11,660</u>	<u>277,487</u>	<u>372,977</u>	<u>(3,477)</u>	<u>3,342,458</u>	<u>958,490</u>
Net cash provided (used) by operating activities	<u>\$ 3,084,793</u>	<u>\$ 377,043</u>	<u>\$ (861,395)</u>	<u>\$ (2,974,754)</u>	<u>\$ (59,348)</u>	<u>\$ (4,862)</u>	<u>\$ (438,523)</u>	<u>\$ 416,860</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:								
Capital asset contributions	<u>\$ 1,290,831</u>	<u>\$ 217,558</u>	<u>\$ 17,042</u>	<u>\$ 231,914</u>	<u>\$ 2,555,442</u>	<u>\$ -</u>	<u>\$ 4,312,787</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, 2005**

**ASSETS**

Cash and investments	\$ 1,690,038
Receivables:	
Taxes	431
Loans	132,421
	<hr/>
Total assets	\$ 1,822,890
	<hr/> <hr/>

**LIABILITIES**

Special assessment deposits	\$ 1,644,382
Other liabilities	178,508
	<hr/>
Total liabilities	\$ 1,822,890
	<hr/> <hr/>

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



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

**CITY OF CHICO, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2005**

**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 7 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 all of 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 three component units – Chico Public Financing Authority, Chico Parking Authority, and the Chico Redevelopment Agency. Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 and No. 39, each of these component units is blended into the City's basic financial statements, as the governing bodies are substantially the same as the governing body of the City.

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 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.

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.

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.

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

## B. IMPLEMENTATION OF GASB STATEMENT

Effective July 1, 2004 the City implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) interest rate risk and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk.

## C. 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.

## D. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures, such as principal, interest and compensated absences are recorded as fund liabilities 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
- Storm drainage facility
- Sewer trunk line capacity
- Water Pollution Control Plant capacity
- Sewer lift stations
- Community parks
- Bidwell Park land acquisition
- Major maintenance equipment
- Administrative building
- Fire protection building and equipment
- Police protection building and equipment
- Neighborhood parks

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

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 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 **Transit Enterprise Fund** accounts for the 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).

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

The **Waste Management Enterprise Fund** accounts for solid waste management and recycling activities and household hazardous materials waste recycling and disposal activities.

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.

## E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

### 1. 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 on a monthly basis based on their average daily cash balance.

### 2. 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.

### 3. 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.

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 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, 2005, is \$6,441,165.

### 4. Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost. The cost is recorded as inventory when items are purchased and as expenses when the items are used.

### 5. 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, 2005.

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	3-12 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.

6. 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.

F. OTHER SIGNIFICANT ACCOUNTING POLICIES

1. Budgetary Data

The City's operating budget is adopted by the City Council during 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 revisions that alter the total expenditures of any fund require approval by the City Council. The legal level of budgetary control is the fund level.

Budget information is adopted on an annual 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 for supplemental appropriations made during the year. The actual results of revenues and expenditures are estimated for the current fiscal year. These estimates are adopted as the final budget for the current fiscal year with the adoption by the City Council of the budget for the upcoming fiscal year.

2. 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.

## II. DETAILED NOTES

### A. Cash and Investments

At June 30, 2005, the City's cash and investments at fair value were as follows:

	Primary Government	Statement of Fiduciary Net Assets	Total
Cash and investments	\$ 70,551,082	\$ 1,690,038	\$ 72,241,120
Restricted cash and investments	<u>4,827,605</u>	<u>--</u>	<u>4,827,605</u>
Total cash and investments	<u>\$ 75,378,687</u>	<u>\$ 1,690,038</u>	<u>\$ 77,068,725</u>

At June 30, 2005, the City's cash and investments consist of the following:

Cash in bank and petty cash	\$ 3,121,899
Investments	75,720,240
Outstanding checks	<u>(1,773,414)</u>
Total cash and investments	<u>\$ 77,068,725</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
Mortgage Pass-through Securities	5 years	20%	None	AA
Repurchase Agreements	5 years	None	5%	None
Local Agency Investment Fund	N/A	None	None	None

### 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.

### Concentration of Credit Risk

40%, or \$30,356,598, of the City's investments at year-end are in U.S. Agency securities. There is no limitation on amounts invested in these types of issues. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total investments of the City are as follows:

Federal Home Loan Bank	\$17,032,568	22.5%
Federal Home Loan Mortgage Corporation	4,253,051	5.6%
Federal National Mortgage Association	7,076,956	9.3%

### 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 of 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. As of June 30, 2005, 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		\$ --	\$ --	\$ --	\$ --	\$ 3,121,899
Investments held by fiscal agents:						
Deposits		--	--	--	--	85,000
Money market mutual funds	AAA/ Aaa	2,004,585	--	--	--	2,004,585
Guaranteed investment contract	Not Rated	--	--	--	2,738,025	2,738,025
Total investments held by fiscal agents						4,827,610
Investments held in City treasury:						
LAIF	Not Rated	--	39,733,117	--	--	39,733,117
Money market mutual funds	AAA	802,915	--	--	--	802,915
Federal Home Loan Bank	AAA	--	997,499	16,035,069	--	17,032,568
Federal Home Loan Mortgage Corp	AAA	--	535,496	3,717,555	--	4,253,051
Federal National Mortgage Association	AAA	--	505,900	6,571,056	--	7,076,956
Federal Farm Credit Bank	AAA	--	--	1,994,023	--	1,994,023
Total investments held in City treasury						70,892,630
Less outstanding checks						(1,773,414)
Total cash and investments						\$ 77,068,725

### Investment in State Investment Pool

The City is a voluntary participant in the State of California Local Agency Investment Fund (LAIF). The total amount invested by all public agencies in LAIF as of June 30, 2005 was \$18.6 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which, as of June 30, 2005 had a balance of \$60.5 billion. PMIA is not SEC registered, but is required to invest according to California State Government Code. The weighted average maturity of PMIA investments was 165 days as of June 30, 2005. The Local Agency Advisory Board (LAIB) has oversight responsibility for LAIF. The LAIB consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City Treasurer's portion of the pool. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling \$184.3 million, and asset-backed securities totaling \$1.27 billion.

### B. RECEIVABLES

Receivables at June 30, 2005, consist of the following:

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Interest	\$ --	\$ 438,188	\$ --	\$ --	\$ 952,702	\$ --	\$ --	\$ 1,390,890
Taxes	218,482	--	2,109	--	401,476	11,602	--	633,669
Accounts	757,878	--	--	--	--	23,121	1,768	782,767
Intergovernmental	648,957	166,665	21,579	3,379,539	--	146,808	19,594	4,383,142
Loans	--	2,476,155	--	--	10,439,559	802,973	--	13,718,687
Total receivables	\$ 1,625,317	\$ 3,081,008	\$ 23,688	\$ 3,379,539	\$ 11,793,737	\$ 984,504	\$ 21,362	\$ 20,909,155

	<u>Sewer</u>	<u>Parking</u>	<u>Private Development</u>	<u>Transit</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Business-Type Activities</u>
Accounts	\$ 590,446	\$ 2,117	\$ 164,730	\$ 5,622	\$ 46,344	\$ 809,259
Intergovernmental	<u>67,099</u>	<u>--</u>	<u>--</u>	<u>1,987,856</u>	<u>3,068</u>	<u>2,058,023</u>
Total receivables	<u>\$ 657,545</u>	<u>\$ 2,117</u>	<u>\$ 164,730</u>	<u>\$ 1,993,478</u>	<u>\$ 49,412</u>	<u>\$ 2,867,282</u>

The loans receivable in the Housing Special Revenue Fund, Redevelopment Agency Capital Projects Fund and Nonmajor Governmental Funds of \$2,476,155, \$10,439,559 and \$802,973, respectively, consist of loans made for low-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 \$2,876,609 and \$11,151,154, respectively, reported in the Housing Special Revenue Fund and Redevelopment Agency Capital Projects Fund 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. The following summarizes deferred revenue as of June 30, 2005:

<b>Governmental activities:</b>	<u>Unearned</u>	<u>Unavailable</u>
General Fund	\$ 478,608	\$ --
Housing Special Revenue Fund	401	604,853
Capital Grants Capital Projects Fund	15,970	3,379,539
Redevelopment Agency Capital Projects Fund	70,000	935,422
Other Governmental Funds	<u>8,989</u>	<u>--</u>
Total governmental activities	<u>\$ 573,968</u>	<u>\$ 4,919,814</u>

## C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 24,794,423	\$ 451,450	\$ (282,619)	\$ 152,476	\$ 25,115,730
Construction in progress	11,432,469	12,212,217	(32,408)	(12,423,954)	11,188,324
Total capital assets, not being depreciated	<u>36,226,892</u>	<u>12,663,667</u>	<u>(315,027)</u>	<u>(12,271,478)</u>	<u>36,304,054</u>
Capital assets, being depreciated:					
Buildings	16,596,008	26,053	--	--	16,622,061
Improvements other than buildings	10,090,745	272,250	--	(214,180)	10,148,815
Equipment, furniture and vehicles	13,515,178	828,788	(772,627)	(126,007)	13,445,332
Infrastructure:					
Roadway	138,591,953	7,573,664	--	7,719,330	153,884,947
Bridge	6,845,426	-	--	--	6,845,426
Drainage	20,440,560	1,780,000	--	1,082,750	23,303,310
Total capital assets, being depreciated	<u>206,079,870</u>	<u>10,480,755</u>	<u>(772,627)</u>	<u>8,461,893</u>	<u>224,249,891</u>
Less accumulated depreciation for:					
Buildings	(5,826,147)	(424,291)	--	--	(6,250,438)
Improvements other than buildings	(5,134,172)	(349,443)	--	2,211	(5,481,404)
Equipment, furniture and vehicles	(6,986,605)	(862,335)	637,776	(55,723)	(7,266,886)
Infrastructure:					
Roadway	(27,061,473)	(3,088,900)	--	--	(30,150,373)
Bridge	(2,232,965)	(136,909)	--	--	(2,369,874)
Drainage	(4,502,695)	(432,914)	--	--	(4,935,609)
Total accumulated depreciation	<u>(51,744,057)</u>	<u>(5,294,792)</u>	<u>637,776</u>	<u>(53,512)</u>	<u>(56,454,584)</u>
Total capital assets, being depreciated, net	<u>154,335,813</u>	<u>5,185,963</u>	<u>(134,851)</u>	<u>8,408,381</u>	<u>167,795,307</u>
Governmental activities capital assets, net	<u>\$ 190,562,705</u>	<u>\$ 17,849,630</u>	<u>\$ (449,878)</u>	<u>\$ (3,863,097)</u>	<u>\$ 204,099,361</u>

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,154,341	\$ --	\$ --	\$ --	\$ 2,154,341
Construction in progress	1,990,440	776,308	(460)	2,700,404	5,466,692
Total capital assets, not being depreciated	<u>4,144,781</u>	<u>776,308</u>	<u>(460)</u>	<u>2,700,404</u>	<u>7,621,033</u>
Capital assets, being depreciated:					
Buildings	15,344,740	--	--	--	15,344,740
Improvements other than buildings	69,552,705	422,896	--	973,737	70,949,338
Equipment, furniture and vehicles	7,643,531	62,385	(32,896)	135,444	7,808,464
Total capital assets, being depreciated	<u>92,540,976</u>	<u>485,281</u>	<u>(32,896)</u>	<u>1,109,181</u>	<u>94,102,542</u>
Less accumulated depreciation for:					
Buildings	(5,803,585)	(489,584)	--	--	(6,293,169)
Improvements other than buildings	(19,440,690)	(2,350,724)	--	(2,211)	(21,793,625)
Equipment, furniture and vehicles	(3,845,803)	(478,124)	32,896	55,723	(4,235,308)
Total accumulated depreciation	<u>(29,090,078)</u>	<u>(3,318,432)</u>	<u>32,896</u>	<u>53,512</u>	<u>(32,322,102)</u>
Total capital assets, being depreciated, net	<u>63,450,898</u>	<u>(2,833,151)</u>	<u>--</u>	<u>1,162,692</u>	<u>61,780,440</u>
Business-type activities capital assets, net	<u>\$ 67,595,679</u>	<u>\$ (2,056,843)</u>	<u>\$ (460)</u>	<u>\$ 3,863,097</u>	<u>\$ 69,401,473</u>

At June 30, 2005, the carrying amount of capital assets acquired under capital leases totaled \$92,093.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 304,821
Public safety	771,833
Public works	3,856,453
Parks and recreation	279,910
Community development	910
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	80,865
Total depreciation expense – governmental activities	<u>\$ 5,294,792</u>
Business-type activities:	
Sewer	\$ 2,371,333
Parking	188,092
Private Development	12,485
Transit	402,465
Nonmajor Enterprise Funds	344,057
Total depreciation expense – business-type activities	<u>\$ 3,318,432</u>

## D. LONG-TERM DEBT

### Governmental Activities:

#### Revenue Bonds

2001 Tax Allocation Bonds issued in the amount of \$32,060,000 for the purpose of making loans to the 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 range from 4.00%-5.125%; serial bond payments due in semi-annual installments on October 1 and April 1 through April 1, 2019; term bonds of \$5,225,000 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

\$ 28,605,000

1996 Tax Allocation Bonds issued for the purpose of making loans to the 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 range from 4.75%-5.50%; due in semi-annual installments on April 1 and October 1, through April 1, 2025. The Agency is subject to mandatory sinking fund payments ranging from \$650,000 to \$2,595,000.

23,860,000

#### 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.

22,413,907

#### Capital Leases

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

92,093

Subtotal 74,971,000

Compensated absences 2,354,312

Claims liability 3,622,400

Total Governmental Activities \$ 80,947,712

Business-type Activities:

Parking Fund:

1994 Parking Revenue Bonds 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 range from 5.8%-6.25%; due in semi-annual installments on February 1 and August 1, through February 1, 2024. \$ 2,420,000

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. 7,078,076

Subtotal 9,498,076

Compensated absences 384,928

Total Business-type Activities \$ 9,883,004

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 2,807,510	\$ 3,235,285	\$ 442,372	\$ 333,469
2007	2,907,345	3,133,130	456,791	319,407
2008	3,017,956	3,026,494	471,460	304,725
2009	3,129,363	2,914,537	476,378	289,408
2010	3,246,587	2,797,199	491,554	274,025
2011-2015	18,271,383	11,936,081	2,709,911	1,116,031
2016-2020	22,847,337	7,775,225	3,167,054	634,547
2021-2025	18,651,426	2,710,928	1,282,555	135,722
Total	<u>\$ 74,878,907</u>	<u>\$ 37,528,879</u>	<u>\$ 9,498,076</u>	<u>\$ 3,407,334</u>

The future minimum lease obligations under capital leases and the net present value of these minimum lease payments as of June 30, 2005 was as follows:

Year Ending June 30,	Governmental Activities
2006	\$ 58,759
2007	25,176
2008	<u>12,588</u>
Total minimum lease payments	96,523
Less amount representing interest	<u>(4,430)</u>
Total capital leases	<u>\$ 92,093</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Equipment	\$ 322,530
Less accumulated depreciation	(252,072)
Net capital assets under capital leases	<u>\$ 70,458</u>

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 54,060,000	\$ --	\$(1,595,000)	\$ 52,465,000	\$ 1,660,000
Loan payable	23,532,338	--	(1,118,431)	22,413,907	1,147,510
Capital leases	160,101	--	(68,008)	92,093	55,635
Compensated absences	2,168,381	261,599	(75,668)	2,354,312	--
Claims liability	2,796,509	1,762,612	(936,721)	3,622,400	1,510,260
Governmental activities long-term liabilities	<u>\$ 82,717,329</u>	<u>\$ 2,024,211</u>	<u>\$(3,793,828)</u>	<u>\$ 80,947,712</u>	<u>\$ 4,373,405</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 2,980,000	\$ --	\$ (560,000)	\$ 2,420,000	\$ 80,000
Loan payable	7,431,265	--	(353,189)	7,078,076	362,372
Compensated absences	454,213	--	(69,285)	384,928	--
Subtotal	10,865,478	--	(982,474)	9,883,004	442,372
Less deferred amount on refunding	(56,955)	--	2,908	(54,047)	--
Business-type activities Long-term liabilities	<u>\$ 10,808,523</u>	<u>\$ --</u>	<u>\$ (979,566)</u>	<u>\$ 9,828,957</u>	<u>\$ 442,372</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$92,093 of internal service funds obligations under capital leases are included in the above amounts. Also, the claims liability balance relates to the internal service funds, and as such will be liquidated by the internal service funds.

#### E. INTERFUND BALANCES

Interfund balances as of June 30, 2005, consist of the following:

Due to/from other funds:

Receivable Fund:	Payable Fund:	Amount
General Fund	Capital Grants Fund	\$ 3,216,110
	Private Development Enterprise Fund	392,571
	Transit Enterprise Fund	1,720,437
	Airport Enterprise Fund	60,398
	Internal Service Fund	85,370
Total		<u>\$ 5,474,886</u>

All balances reported as "due to/due from" are short-term loans to cover temporary fund cash shortages as of June 30, 2005, and will be repaid early in fiscal year 2006.

Advances from/to other funds:

Receivable Fund:	Payable Fund:	Amount
Nonmajor Governmental Funds	Housing Fund	\$ 626,475
	Internal Service Funds	408,359
Total		<u>\$ 1,034,834</u>

The \$626,475 payable to the Nonmajor Governmental Funds from the Housing Fund relates to the Citrus Vecino Storm Drainage project. The Housing Fund is scheduled to pay back the Nonmajor Governmental Funds \$250,000 each year until the advance is paid-in-full. The \$408,359 payable to the Nonmajor Governmental Funds from the Internal Service Funds relates to the City's telephone system project. This amount is not scheduled to be collected within the following year.

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

The City's reservations and designations as of June 30, 2005, are comprised of the following:

	General Fund	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<u>Reserved for:</u>							
Encumbrances	\$ 349,885	\$ 965,663	\$ 1,806,580	\$ 1,243,784	\$ 6,809,652	\$ 1,005,729	\$ 12,181,293
Deposits with others	--	--	418,266	41,125	85,582	20,445	565,418
Prepaid items	8,089	--	--	--	--	--	8,089
Debt service	--	--	3,461,790	--	--	4,510,439	7,972,229
Loans receivable	--	2,476,155	--	--	10,439,559	802,973	13,718,687
Advances to other funds	--	--	--	--	--	1,034,834	1,034,834
Total reserved	<u>\$ 357,974</u>	<u>\$ 3,441,818</u>	<u>\$ 5,686,636</u>	<u>\$ 1,284,909</u>	<u>\$ 17,334,793</u>	<u>\$ 7,374,420</u>	<u>\$ 35,480,550</u>
<u>Designated for:</u>							
Emergencies	\$ 4,485,002	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 4,485,002
Capital replacement	--	--	--	--	--	415,086	415,086
Total designated	<u>\$ 4,485,002</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 415,086</u>	<u>\$ 4,900,088</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 postage, and is 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 emergencies - Amount designated in the General Fund is designated for unanticipated expenses or revenue deficits resulting from fluctuations in sales tax, changes in state laws, draws through employee attrition on the City's vacation payment obligations, or other catastrophic events.
8. Designation for capital replacement - Amounts designated for future replacement of maintenance district facilities.

G. DEFICIT FUND EQUITY

At June 30, 2005, the funds listed below reported deficit fund balances or net assets:

Fund	Amount
Capital Grants Capital Projects	\$(3,379,996)
Private Development Enterprise	(1,826,351)

The Capital Grants Capital Projects Fund deficit represents grant expenditures that had not been reimbursed by granting agencies within the 60-day period of availability for which corresponding revenues have not been recognized. The Private Development Enterprise Fund deficit represents a large increase in professional services, major capital projects expenses and an increase in salary expenses. The deficit in the Private Development Enterprise Fund may necessitate fee increases to cover the added expenses.

H. INTERFUND TRANSFERS

The following is a schedule of interfund transfers.

Transfers to:	Transfers from:			
	General Fund	Housing	Redevelopment Agency	Nonmajor Governmental Funds
General Fund	\$ --	\$ 21,757	\$ 228,700	\$ 2,117,058
Nonmajor Governmental Funds	1,113,402	--	4,226,061	250,138
Private Development	53,836	--	--	--
Transit	--	--	--	--
Waste Management	68,801	--	--	--
Total	<u>\$ 1,236,039</u>	<u>\$ 21,757</u>	<u>\$ 4,454,761</u>	<u>\$ 2,367,196</u>

Transfers to:	Transfers from:							Total
	Sewer	Parking	Private Development	Transit	Airport	Waste Management	Internal Service Funds	
General Fund	\$511,175	\$54,696	\$425,948	\$1,366,707	\$ 48,049	\$ 73,042	\$ --	\$4,847,132
Nonmajor Governmental Funds	68,486	10,654	115,089	--	15,427	--	16,701	5,815,958
Private Development	--	--	--	--	--	--	--	53,836
Transit	--	10,773	--	--	--	--	--	10,773
Waste Management	--	--	--	--	--	--	--	68,801
Total	<u>\$579,661</u>	<u>\$76,123</u>	<u>\$541,037</u>	<u>\$1,366,707</u>	<u>\$63,476</u>	<u>\$73,042</u>	<u>\$16,701</u>	<u>\$10,800,741</u>

The Waste Management Enterprise Fund (business-type activities) transferred capital assets of \$68,801 to the General Fund (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.

### 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 insurance coverage in each 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, 2005, 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).

##### 1. 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, 2005, 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 \$3,004,536 for insurance losses through June 30, 2005, 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 incurred but not reported (IBNR) claims and the effects of inflation and other economic factors to determine ultimate cost.

	Claims Liability July 1	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Claims Liability June 30
2003-04	\$ 2,061,293	\$ 990,746	\$ (917,594)	\$ 2,134,445
2004-05	2,134,445	1,645,011	(774,920)	3,004,536

##### 2. 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 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 elected by the Directors every two years. Annual deposits are paid by member entities and may be adjusted retrospectively to cover costs. The City self-insures the first \$500,000 of each loss. Participating entities share in loss occurrences in excess of \$500,000 up to \$10,000,000, 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 (\$2,000,000 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.

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, 2005, were \$310,259.

The claims liability reported in the Self Insurance Internal Service Fund at June 30, 2005, 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 \$617,864 for insurance losses represents the estimated cost of settling self-insurance liability claims.

Changes in the claims liability are as follows:

	Claims Liability July 1	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Claims Liability June 30
2003-04	\$ 577,631	\$ 322,178	\$ (237,745)	\$ 662,064
2004-05	662,064	117,601	(161,801)	617,864

## B. CONDUIT DEBT OBLIGATIONS

### Certificates of Participation

In February 1991, the Chico Redevelopment Agency (Agency) issued \$15,000,000 of Certificates of Participation secured by an Installment Sale Agreement with Walker Senior Housing Corporation (Corporation). The proceeds were used to provide financing for congregate care facilities. The bonds are payable in annual installments, beginning February 1994 and ending February 2021, with interest ranging from 5.25% to 6.80%. This indebtedness is a limited obligation of the Agency payable solely from the installment payments to be made by the Corporation to the Agency. The Agency’s obligation to make payments is insured by the Office of Statewide Health Planning and Development of the State of California. The principal amount outstanding on the Certificates of Participation was \$11,530,000 as of June 30, 2005.

The Certificates of Participation do not constitute or create a debt or pledge of the general credit or taxing power of the City of Chico, the Chico Redevelopment Agency or the State of California. Since the Certificates of Participation did not create a debt of the Agency, management did not record the transaction in the accompanying financial statements.

## C. 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	Balance at June 30, 2005
Northeast Chico Sewer Refunding	\$ 5,404,000	8.10-8.20%	\$ 1,780,000
Mission Ranch	1,571,085	6.40-6.63%	720,000
Total	<u>\$ 6,975,085</u>		<u>\$ 2,500,000</u>

## D. COMMITMENTS AND CONTINGENCIES

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 one administrative action and two lawsuits arising out of the contamination of real property with hazardous materials which could result in substantial liabilities for hazardous waste investigation and characterization costs and/or remediation costs. At the present time it is unclear what the full extent of the City's liability is for the remediation of these contaminated sites. The remediation costs for these sites are estimated to be between \$10,000,000 and \$15,000,000.

The City is party to a second lawsuit that alleges the contamination of real property with hazardous materials. At present time it is unclear what, if any, responsibility the City has for remediation of the property. The remediation costs at this site is estimated to be approximately \$4,500,000.

## E. 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 their Executive Office, 400 P Street, Sacramento, California 95814.

### 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 2004/05, the rate was 17.724% for miscellaneous employees and 27.826% 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, 2005, the City's annual pension cost of \$2,198,599 and \$2,559,564 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, 2002, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service from 3.75% to 14.20% for miscellaneous members (from 4.27% to 11.59% for safety members), and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5% and a payroll growth component of 3.75%.

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 June 30, 2004, was 22 years for both the Miscellaneous and Safety Plans.

**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
6/30/03	\$ 1,304,130	100%	\$ --	\$ 2,029,326	100%	\$ --
6/30/04	1,465,244	100%	--	2,324,962	100%	--
6/30/05	2,198,599	100%	--	2,559,564	100%	--

**F. ARBITRAGE**

The Tax Reform Act of 1996 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 annually by MuniFinancial. As of June 30, 2005, the City does not have any arbitrage liability.

**G. RESTATEMENT OF FUND BALANCE/NET ASSETS**

At July 1, 2004, the City restated fund balance by \$262,663 in the Equipment Replacement and Facility Maintenance nonmajor capital projects fund to reflect a loan that was inadvertently recorded as an expenditure during the year ended June 30, 2004. The impact of the restatement on beginning fund balance/net assets as previously reported is presented below:

	Governmental Activities	Nonmajor Governmental Funds
Net assets/fund balance, June 30, 2004, as previously reported	\$ 187,564,602	\$ 18,816,031
Loan receivable	262,663	262,663
Net assets/fund balance, July 1, 2004, as restated	<u>\$ 187,827,265</u>	<u>\$ 19,078,694</u>

**H. SUBSEQUENT EVENT**

On August 30, 2005, the Chico Redevelopment Agency entered into an agreement with the County of Butte, forming the Chico Urban Area Joint Powers Financing Authority. This Authority was established for the sole purpose of financing the construction and installation of sewer facilities and improvements in locations in the City and adjacent unincorporated territory that are currently served with private septic systems. The Authority will finance and facilitate the implementation of these improvements by borrowing funds from the Safe Drinking Water State Revolving Fund. The Chico Redevelopment Agency will underwrite repayment of this loan by dedicating tax increment revenue generated in the Chico Amended and Merged Redevelopment Project Area. The Agency pledges and agrees to annually contribute to the Authority, solely to repay the JPA loan, up to but not more than \$1.9 million of tax increment revenue.

On November 17, 2005, the Chico Redevelopment Agency issued \$68,500,000 in Tax Allocation Bonds. After deducting the associated issuance costs and reserve requirements, an additional \$64,058,099 will be available to be spent on eligible redevelopment projects.

***REQUIRED SUPPLEMENTARY  
INFORMATION***

**CITY OF CHICO, CALIFORNIA  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
YEAR ENDED JUNE 30, 2005**

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
6/30/02	\$57,848,102	\$50,648,010	\$7,200,092	87.6%	\$11,556,462	62.3%
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%

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
6/30/02	\$62,908,260	\$53,939,304	\$8,968,956	85.7%	\$8,569,635	104.7%
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%



## ***NONMAJOR GOVERNMENTAL FUNDS***

- *Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects.*
- *Capital Projects Funds account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.*
- *Debt Service Funds account for the accumulation of resources for the repayment of principal and interest on general long-term debt.*

## 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.

#### **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.

#### **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.

#### **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.

**CPFA TARBS Reserve**

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



CITY OF CHICO  
INC 1872

**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 1,959,608	\$ -	\$ 11,618,875	\$ 13,578,483
Receivables:				
Taxes	10,874	-	728	11,602
Accounts	-	-	23,121	23,121
Intergovernmental	16,376	-	130,432	146,808
Loans	82,512	-	720,461	802,973
Deposits with others	-	-	20,445	20,445
Advances to other funds	408,357	-	626,477	1,034,834
Restricted assets:				
Cash and investments	-	4,510,439	-	4,510,439
Total assets	<u>\$ 2,477,727</u>	<u>\$ 4,510,439</u>	<u>\$ 13,140,539</u>	<u>\$ 20,128,705</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 51,265	\$ -	\$ 381,337	\$ 432,602
Accrued salaries and benefits	2,879	-	30,913	33,792
Intergovernmental payable	-	-	8,929	8,929
Deferred revenue	8,989	-	-	8,989
Total liabilities	<u>63,133</u>	<u>-</u>	<u>421,179</u>	<u>484,312</u>
Fund balances:				
Reserved for:				
Encumbrances	51,760	-	953,969	1,005,729
Deposits with others	-	-	20,445	20,445
Debt service	-	4,510,439	-	4,510,439
Loans receivable	82,512	-	720,461	802,973
Advances to other funds	408,357	-	626,477	1,034,834
Unreserved/designated for:				
Capital replacement	415,086	-	-	415,086
Unreserved/undesignated	1,456,879	-	10,398,008	11,854,887
Total fund balances	<u>2,414,594</u>	<u>4,510,439</u>	<u>12,719,360</u>	<u>19,644,393</u>
Total liabilities and fund balances	<u>\$ 2,477,727</u>	<u>\$ 4,510,439</u>	<u>\$ 13,140,539</u>	<u>\$ 20,128,705</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Intergovernmental	\$ 497,669	\$ -	\$ 2,037,405	\$ 2,535,074
Charges for services	535,231	-	1,066,813	1,602,044
Fines, forfeitures, and penalties	69,319	-	-	69,319
Use of money and property	44,809	179,162	183,189	407,160
Miscellaneous	829	-	-	829
Total revenues	<u>1,147,857</u>	<u>179,162</u>	<u>3,287,407</u>	<u>4,614,426</u>
<b>EXPENDITURES:</b>				
Current:				
General government	60,709	-	230,703	291,412
Public safety	216,285	-	-	216,285
Public works	603,971	-	1,270,570	1,874,541
Community development	-	-	49,273	49,273
Capital outlay	-	-	744,044	744,044
Debt service:				
Principal retirement	-	1,595,000	-	1,595,000
Interest and fiscal charges	-	2,726,934	-	2,726,934
Total expenditures	<u>880,965</u>	<u>4,321,934</u>	<u>2,294,590</u>	<u>7,497,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>266,892</u>	<u>(4,142,772)</u>	<u>992,817</u>	<u>(2,883,063)</u>
Other financing sources (uses):				
Transfers in	92,842	4,476,199	1,246,917	5,815,958
Transfers out	(145,562)	(250,138)	(1,971,496)	(2,367,196)
Total other financing sources (uses)	<u>(52,720)</u>	<u>4,226,061</u>	<u>(724,579)</u>	<u>3,448,762</u>
Net change in fund balances	214,172	83,289	268,238	565,699
Fund balances, beginning of year	<u>2,200,422</u>	<u>4,427,150</u>	<u>12,451,122</u>	<u>19,078,694</u>
Fund balances, end of year	<u>\$ 2,414,594</u>	<u>\$ 4,510,439</u>	<u>\$ 12,719,360</u>	<u>\$ 19,644,393</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2005**

	Operating Grants	Community Maintenance Districts	Transportation	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>					
Cash and investments	\$ 11,092	\$ 797,354	\$ 70,090	\$ 1,081,072	\$ 1,959,608
Receivables:					
Taxes	-	10,874	-	-	10,874
Intergovernmental	-	-	420	15,956	16,376
Loans	-	-	-	82,512	82,512
Advances to other funds	-	-	-	408,357	408,357
	<u>11,092</u>	<u>808,228</u>	<u>70,510</u>	<u>1,587,897</u>	<u>2,477,727</u>
Total assets	<u>\$ 11,092</u>	<u>\$ 808,228</u>	<u>\$ 70,510</u>	<u>\$ 1,587,897</u>	<u>\$ 2,477,727</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 48,626	\$ 2,639	\$ -	\$ 51,265
Accrued salaries and benefits	-	-	2,879	-	2,879
Deferred revenue	8,989	-	-	-	8,989
	<u>8,989</u>	<u>48,626</u>	<u>5,518</u>	<u>-</u>	<u>63,133</u>
Total liabilities	<u>8,989</u>	<u>48,626</u>	<u>5,518</u>	<u>-</u>	<u>63,133</u>
Fund balances:					
Reserved for:					
Encumbrances	-	51,760	-	-	51,760
Loans receivable	-	-	-	82,512	82,512
Advances to other funds	-	-	-	408,357	408,357
Unreserved/designated for:					
Capital replacement	-	415,086	-	-	415,086
Unreserved/undesignated	2,103	292,756	64,992	1,097,028	1,456,879
	<u>2,103</u>	<u>759,602</u>	<u>64,992</u>	<u>1,587,897</u>	<u>2,414,594</u>
Total fund balances	<u>2,103</u>	<u>759,602</u>	<u>64,992</u>	<u>1,587,897</u>	<u>2,414,594</u>
Total liabilities and fund balances	<u>\$ 11,092</u>	<u>\$ 808,228</u>	<u>\$ 70,510</u>	<u>\$ 1,587,897</u>	<u>\$ 2,477,727</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2005**

	Operating Grants	Community Maintenance Districts	Transportation	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>					
Intergovernmental	\$ 125,721	\$ -	\$ 371,948	\$ -	\$ 497,669
Charges for services	-	534,731	-	500	535,231
Fines, forfeitures, and penalties	-	-	-	69,319	69,319
Use of money and property	419	13,624	(1,384)	32,150	44,809
Miscellaneous	-	-	-	829	829
Total revenues	<u>126,140</u>	<u>548,355</u>	<u>370,564</u>	<u>102,798</u>	<u>1,147,857</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	60,709	60,709
Public safety	216,285	-	-	-	216,285
Public works	-	316,445	287,526	-	603,971
Total expenditures	<u>216,285</u>	<u>316,445</u>	<u>287,526</u>	<u>60,709</u>	<u>880,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,145)</u>	<u>231,910</u>	<u>83,038</u>	<u>42,089</u>	<u>266,892</u>
<b>Other financing sources (uses):</b>					
Transfers in	90,397	2,445	-	-	92,842
Transfers out	-	(48,090)	(27,425)	(70,047)	(145,562)
Total other financing sources (uses)	<u>90,397</u>	<u>(45,645)</u>	<u>(27,425)</u>	<u>(70,047)</u>	<u>(52,720)</u>
Net change in fund balances	252	186,265	55,613	(27,958)	214,172
Fund balances, beginning of year	<u>1,851</u>	<u>573,337</u>	<u>9,379</u>	<u>1,615,855</u>	<u>2,200,422</u>
Fund balances, end of year	<u>\$ 2,103</u>	<u>\$ 759,602</u>	<u>\$ 64,992</u>	<u>\$ 1,587,897</u>	<u>\$ 2,414,594</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 117,819	\$ 134,710	\$ 125,721	\$ (8,989)
Use of money and property	1,023	633	419	(214)
Total revenues	<u>118,842</u>	<u>135,343</u>	<u>126,140</u>	<u>(9,203)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	208,349	217,114	216,285	829
Capital outlay	-	18,815	-	18,815
Total expenditures	<u>208,349</u>	<u>235,929</u>	<u>216,285</u>	<u>19,644</u>
Deficiency of revenues under expenditures	<u>(89,507)</u>	<u>(100,586)</u>	<u>(90,145)</u>	<u>10,441</u>
Other financing sources:				
Transfers in	<u>90,530</u>	<u>108,065</u>	<u>90,397</u>	<u>(17,668)</u>
Net change in fund balance	1,023	7,479	252	(7,227)
Fund balance, beginning of year	<u>1,851</u>	<u>1,851</u>	<u>1,851</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,874</u></u>	<u><u>\$ 9,330</u></u>	<u><u>\$ 2,103</u></u>	<u><u>\$ (7,227)</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, 2005**

	<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	\$ 497,409	\$ 536,434	\$ 534,731	\$ (1,703)
Use of money and property	7,418	7,216	13,624	6,408
Total revenues	<u>504,827</u>	<u>543,650</u>	<u>548,355</u>	<u>4,705</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	461,957	462,233	316,445	145,788
Total expenditures	<u>461,957</u>	<u>462,233</u>	<u>316,445</u>	<u>145,788</u>
Excess of revenues over expenditures	<u>42,870</u>	<u>81,417</u>	<u>231,910</u>	<u>150,493</u>
Other financing sources (uses):				
Transfers in	3,394	3,084	2,445	(639)
Transfers out	(48,090)	(48,090)	(48,090)	-
Total other financing sources (uses)	<u>(44,696)</u>	<u>(45,006)</u>	<u>(45,645)</u>	<u>(639)</u>
Net change in fund balance	(1,826)	36,411	186,265	149,854
Fund balance, beginning of year	<u>573,337</u>	<u>573,337</u>	<u>573,337</u>	<u>-</u>
Fund balance, end of year	<u>\$ 571,511</u>	<u>\$ 609,748</u>	<u>\$ 759,602</u>	<u>\$ 149,854</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 375,360	\$ 377,040	\$ 371,948	\$ (5,092)
Use of money and property	<u>(1,111)</u>	<u>(619)</u>	<u>(1,384)</u>	<u>(765)</u>
Total revenues	<u>374,249</u>	<u>376,421</u>	<u>370,564</u>	<u>(5,857)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	321,629	281,701	287,526	(5,825)
Capital outlay	<u>25,195</u>	<u>60,676</u>	<u>-</u>	<u>60,676</u>
Total expenditures	<u>346,824</u>	<u>342,377</u>	<u>287,526</u>	<u>54,851</u>
Excess of revenues over expenditures	<u>27,425</u>	<u>34,044</u>	<u>83,038</u>	<u>48,994</u>
Other financing sources:				
Transfers out	<u>(27,425)</u>	<u>(27,425)</u>	<u>(27,425)</u>	<u>-</u>
Net change in fund balance	(0)	6,619	55,613	48,994
Fund balance, beginning of year	<u>9,379</u>	<u>9,379</u>	<u>9,379</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,379</u>	<u>\$ 15,998</u>	<u>\$ 64,992</u>	<u>\$ 48,994</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, 2005**

	<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	\$ -	\$ -	\$ 500	\$ 500
Fines, forfeitures and penalties	79,800	54,000	69,319	15,319
Use of money and property	28,047	30,379	32,150	1,771
Miscellaneous	2,377	2,377	829	(1,548)
Total revenues	<u>110,224</u>	<u>86,756</u>	<u>102,798</u>	<u>16,042</u>
<b>EXPENDITURES:</b>				
Current:				
General government	12,391	18,031	60,709	(42,678)
Capital outlay	-	69,414	-	(69,414)
Total expenditures	<u>12,391</u>	<u>87,445</u>	<u>60,709</u>	<u>(112,092)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>97,833</u>	<u>(689)</u>	<u>42,089</u>	<u>42,778</u>
Other financing uses:				
Transfers out	<u>(82,797)</u>	<u>(416,834)</u>	<u>(70,047)</u>	<u>346,787</u>
Net change in fund balance	15,036	(417,523)	(27,958)	389,565
Fund balance, beginning of year	<u>1,615,855</u>	<u>1,615,855</u>	<u>1,615,855</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,630,891</u></u>	<u><u>\$ 1,198,332</u></u>	<u><u>\$ 1,587,897</u></u>	<u><u>\$ 389,565</u></u>

**CITY OF CHICO, CALIFORNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2005**

	1996 Tax Allocation Bonds	2001 Tax Allocation Bonds	Chico Merged RPA Low and Moderate Income Housing	Chico Merged RPA Reserves	Total Nonmajor Debt Service Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>					
Cash and investments	\$ 77,061	\$ 10,412	\$ -	\$ 4,422,966	\$ 4,510,439
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES</b>					
Reserved for:					
Debt service	\$ 77,061	\$ 10,412	\$ -	\$ 4,422,966	\$ 4,510,439
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	1996 Tax Allocation Bonds	2001 Tax Allocation Bonds	Chico Merged RPA Low and Moderate Income Housing	Chico Merged RPA Reserves	Total Nonmajor Debt Service Funds
Revenues:					
Use of money and property	\$ 3,049	\$ 952	\$ -	\$ 175,161	\$ 179,162
Expenditures:					
Debt service:					
Principal retirement	700,000	744,730	150,270	-	1,595,000
Interest and fiscal charges	1,313,015	1,176,521	237,398	-	2,726,934
Total expenditures	2,013,015	1,921,251	387,668	-	4,321,934
Excess (deficiency) of revenues over under) expenditures	(2,009,966)	(1,920,299)	(387,668)	175,161	(4,142,772)
Other financing sources (uses):					
Transfers in	2,086,567	1,927,247	387,668	74,717	4,476,199
Transfers out	-	-	-	(250,138)	(250,138)
Total other financing sources (uses)	2,086,567	1,927,247	387,668	(175,421)	4,226,061
Net change in fund balance	76,601	6,948	-	(260)	83,289
Fund balance, beginning of year	460	3,464	-	4,423,226	4,427,150
Fund balance, end of year	\$ 77,061	\$ 10,412	\$ -	\$ 4,422,966	\$ 4,510,439

**CITY OF CHICO, CALIFORNIA**  
**1996 TAX ALLOCATION BONDS DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2005**

	<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	<u>\$        600</u>	<u>\$      1,750</u>	<u>\$      3,049</u>	<u>\$      1,299</u>
Expenditures:				
Debt service:				
Principal retirement	700,000	700,000	700,000	-
Interest and fiscal charges	<u>1,313,100</u>	<u>1,313,100</u>	<u>1,313,015</u>	<u>(85)</u>
Total expenditures	<u>2,013,100</u>	<u>2,013,100</u>	<u>2,013,015</u>	<u>(85)</u>
Deficiency of revenues under expenditures	<u>(2,012,500)</u>	<u>(2,011,350)</u>	<u>(2,009,966)</u>	<u>1,384</u>
Other financing sources:				
Transfers in	<u>2,012,500</u>	<u>2,012,500</u>	<u>2,086,567</u>	<u>74,067</u>
Net change in fund balance	-	1,150	76,601	75,451
Fund balance, beginning of year	<u>460</u>	<u>460</u>	<u>460</u>	<u>-</u>
Fund balance, end of year	<u><u>\$      460</u></u>	<u><u>\$      1,610</u></u>	<u><u>\$      77,061</u></u>	<u><u>\$      75,451</u></u>

**CITY OF CHICO, CALIFORNIA**  
**2001 TAX ALLOCATION BONDS DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ 200	\$ 760	\$ 952	\$ 192
Expenditures:				
Debt service:				
Principal retirement	744,730	774,730	744,730	(30,000)
Interest and fiscal charges	1,176,251	1,176,551	1,176,521	(30)
Total expenditures	1,920,981	1,951,281	1,921,251	(30,030)
Deficiency of revenues under expenditures	(1,920,781)	(1,950,521)	(1,920,299)	30,222
Other financing sources (uses):				
Transfers in	1,921,081	1,947,057	1,927,247	(19,810)
Net change in fund balance	300	(3,464)	6,948	10,412
Fund balance, beginning of year	3,464	3,464	3,464	-
Fund balance, end of year	\$ 3,764	\$ -	\$ 10,412	\$ 10,412

**CITY OF CHICO, CALIFORNIA**  
**CHICO MERGED RPA LOW AND MODERATE INCOME HOUSING DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Debt service:				
Principal retirement	\$ 150,271	\$ 150,271	\$ 150,270	\$ (1)
Interest and fiscal charges	<u>237,403</u>	<u>237,403</u>	<u>237,398</u>	<u>(5)</u>
Total expenditures	<u>387,674</u>	<u>387,674</u>	<u>387,668</u>	<u>(6)</u>
Deficiency of revenues under expenditures	<u>(387,674)</u>	<u>(387,674)</u>	<u>(387,668)</u>	<u>6</u>
Other financing sources (uses):				
Transfers in	<u>387,674</u>	<u>387,674</u>	<u>387,668</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 MERGED RPA RESERVES DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2005**

	<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	\$ 158,700	\$ 165,700	\$ 175,161	\$ 9,461
Other financing sources (uses):				
Transfers in	-	-	74,717	74,717
Transfers out	(158,700)	(165,960)	(250,138)	(84,178)
Total other financing sources (uses)	(158,700)	(165,960)	(175,421)	(9,461)
Net change in fund balance	-	(260)	(260)	-
Fund balance, beginning of year	4,423,226	4,423,226	4,423,226	-
Fund balance, end of year	<u>\$ 4,423,226</u>	<u>\$ 4,422,966</u>	<u>\$ 4,422,966</u>	<u>\$ -</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2005**

	<u>Capital Improvements</u>	<u>Gax Tax</u>	<u>General Plan Reserve</u>	<u>Equipment Replacement and Facility Maintenance</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 5,126,458	\$ 1,477,370	\$ 664,290	\$ 4,350,757	\$ 11,618,875
Receivables:					
Taxes	728	-	-	-	728
Accounts	23,121	-	-	-	23,121
Intergovernmental	314	130,118	-	-	130,432
Loans	-	-	-	720,461	720,461
Deposits with others	20,445	-	-	-	20,445
Advances to other funds	-	-	-	626,477	626,477
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 5,171,066</u>	<u>\$ 1,607,488</u>	<u>\$ 664,290</u>	<u>\$ 5,697,695</u>	<u>\$ 13,140,539</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 292,819	\$ 60,572	\$ -	\$ 27,946	\$ 381,337
Accrued salaries and benefits	30,913	-	-	-	30,913
Intergovernmental payable	8,929	-	-	-	8,929
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>332,661</u>	<u>60,572</u>	<u>-</u>	<u>27,946</u>	<u>421,179</u>
Fund balances:					
Reserved for:					
Encumbrances	507,235	148,283	-	298,451	953,969
Deposits with others	20,445	-	-	-	20,445
Loans receivable	-	-	-	720,461	720,461
Advances to other funds	-	-	-	626,477	626,477
Unreserved/undesignated	4,310,725	1,398,633	664,290	4,024,360	10,398,008
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>4,838,405</u>	<u>1,546,916</u>	<u>664,290</u>	<u>5,669,749</u>	<u>12,719,360</u>
Total liabilities and fund balances	<u>\$ 5,171,066</u>	<u>\$ 1,607,488</u>	<u>\$ 664,290</u>	<u>\$ 5,697,695</u>	<u>\$ 13,140,539</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	Capital Improvements	Gax Tax	General Plan Reserve	Equipment Replacement and Facility Maintenance	Total Nonmajor Capital Projects Funds
<b>REVENUES:</b>					
Intergovernmental	\$ -	\$ 2,037,405	\$ -	\$ -	\$ 2,037,405
Charges for services	1,066,813	-	-	-	1,066,813
Use of money and property	47,677	40,647	9,855	85,010	183,189
Total revenues	<u>1,114,490</u>	<u>2,078,052</u>	<u>9,855</u>	<u>85,010</u>	<u>3,287,407</u>
<b>EXPENDITURES:</b>					
Current:					
General government	66,067	-	-	164,636	230,703
Public works	737,328	533,242	-	-	1,270,570
Community development	30,620	-	18,653	-	49,273
Capital outlay	429,094	73,391	-	241,559	744,044
Total expenditures	<u>1,263,109</u>	<u>606,633</u>	<u>18,653</u>	<u>406,195</u>	<u>2,294,590</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(148,619)</u>	<u>1,471,419</u>	<u>(8,798)</u>	<u>(321,185)</u>	<u>992,817</u>
<b>Other financing sources (uses):</b>					
Transfers in	100,000	-	125,000	1,021,917	1,246,917
Transfers out	(500,785)	(1,470,711)	-	-	(1,971,496)
Total other financing sources (uses)	<u>(400,785)</u>	<u>(1,470,711)</u>	<u>125,000</u>	<u>1,021,917</u>	<u>(724,579)</u>
Net change in fund balances	(549,404)	708	116,202	700,732	268,238
Fund balances, beginning of year, as restated	<u>5,387,809</u>	<u>1,546,208</u>	<u>548,088</u>	<u>4,969,017</u>	<u>12,451,122</u>
Fund balances, end of year	<u>\$ 4,838,405</u>	<u>\$ 1,546,916</u>	<u>\$ 664,290</u>	<u>\$ 5,669,749</u>	<u>\$ 12,719,360</u>



## ***INTERNAL SERVICE FUNDS***

*Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other governmental units on a cost reimbursement basis.*

## **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, 2005**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 3,841,272	\$ -	\$ 61,791	\$ 161,556	\$ 4,064,619
Receivables:					
Accounts	450	1,318	-	-	1,768
Intergovernmental	4,338	15,256	-	-	19,594
Inventories	-	34,848	-	-	34,848
Other assets	205,085	-	-	12,219	217,304
Total current assets	<u>4,051,145</u>	<u>51,422</u>	<u>61,791</u>	<u>173,775</u>	<u>4,338,133</u>
Noncurrent assets:					
Restricted cash and investments	85,000	-	-	-	85,000
Land and construction in progress	-	30,391	-	423,493	453,884
Other capital assets, net of accumulated depreciation	-	124,514	-	78,226	202,740
Total noncurrent assets	<u>85,000</u>	<u>154,905</u>	<u>-</u>	<u>501,719</u>	<u>741,624</u>
 Total assets	 <u>4,136,145</u>	 <u>206,327</u>	 <u>61,791</u>	 <u>675,494</u>	 <u>5,079,757</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	85,793	70,633	44,166	71,792	272,384
Accrued salaries and benefits	1,193	8,309	2,647	11,945	24,094
Intergovernmental payable	-	1,682	-	-	1,682
Due to other funds	-	85,370	-	-	85,370
Claims liability	1,510,260	-	-	-	1,510,260
Capital leases	-	-	-	55,635	55,635
Total current liabilities	<u>1,597,246</u>	<u>165,994</u>	<u>46,813</u>	<u>139,372</u>	<u>1,949,425</u>
Noncurrent liabilities:					
Advances from other funds	-	-	-	408,359	408,359
Compensated absences	3,149	40,333	14,978	91,305	149,765
Claims liability	2,112,140	-	-	-	2,112,140
Capital leases	-	-	-	36,458	36,458
Total noncurrent liabilities	<u>2,115,289</u>	<u>40,333</u>	<u>14,978</u>	<u>536,122</u>	<u>2,706,722</u>
 Total liabilities	 <u>3,712,535</u>	 <u>206,327</u>	 <u>61,791</u>	 <u>675,494</u>	 <u>4,656,147</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	154,905	-	409,626	564,531
Unrestricted	423,610	(154,905)	-	(409,626)	(140,921)
 Total net assets	 <u>\$ 423,610</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 423,610</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
OPERATING REVENUES:					
Charges for services	\$ 2,688,238	\$ 1,861,720	\$ 775,533	\$ 1,163,557	\$ 6,489,048
OPERATING EXPENSES:					
Salaries and benefits	574,833	678,605	241,616	742,178	2,237,232
Materials and supplies	1,418	1,051,091	223,546	35,026	1,311,081
Purchased services	811,973	82,240	268,287	191,838	1,354,338
Other expenses	1,826,363	61,760	33,550	125,489	2,047,162
Depreciation	-	11,839	-	69,026	80,865
Total operating expenses	<u>3,214,587</u>	<u>1,885,535</u>	<u>766,999</u>	<u>1,163,557</u>	<u>7,030,678</u>
Operating income (loss)	<u>(526,349)</u>	<u>(23,815)</u>	<u>8,534</u>	<u>-</u>	<u>(541,630)</u>
Nonoperating revenues					
Intergovernmental	-	5,804	-	-	5,804
Investment earnings	28,864	-	-	-	28,864
Miscellaneous	129,205	125	-	-	129,330
Total nonoperating revenues	<u>158,069</u>	<u>5,929</u>	<u>-</u>	<u>-</u>	<u>163,998</u>
Income (loss) before contributions and transfers	(368,280)	(17,886)	8,534	-	(377,632)
Capital contributions	-	26,053	-	-	26,053
Transfers out	-	(8,167)	(8,534)	-	(16,701)
Change in net assets	(368,280)	-	-	-	(368,280)
Net assets, beginning of year	<u>791,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>791,890</u>
Net assets, end of year	<u>\$ 423,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,610</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from interfund services provided	\$ 2,844,386	\$ 1,862,274	\$ 775,533	\$ 1,163,557	\$ 6,645,750
Payments to suppliers and claimants	(1,920,901)	(1,150,202)	(536,105)	(292,719)	(3,899,927)
Payments to employees	(600,900)	(732,894)	(244,115)	(751,054)	(2,328,963)
Net cash provided (used) by operating activities	<u>322,585</u>	<u>(20,822)</u>	<u>(4,687)</u>	<u>119,784</u>	<u>416,860</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating grants received	-	47,442	-	-	47,442
Interfund borrowings	-	-	-	408,359	408,359
Transfers out	-	(8,167)	(8,534)	-	(16,701)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>39,275</u>	<u>(8,534)</u>	<u>408,359</u>	<u>439,100</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	-	(25,022)	-	(405,703)	(430,725)
Principal paid on long-term debt	-	-	-	(68,008)	(68,008)
Net cash used by capital and related financing activities	<u>-</u>	<u>(25,022)</u>	<u>-</u>	<u>(473,711)</u>	<u>(498,733)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	<u>28,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,864</u>
Net increase (decrease) in cash and cash equivalents	351,449	(6,569)	(13,221)	54,432	386,091
Cash and cash equivalents, beginning of year	3,574,823	6,569	75,012	107,124	3,763,528
Cash and cash equivalents, end of year	<u>\$ 3,926,272</u>	<u>\$ -</u>	<u>\$ 61,791</u>	<u>\$ 161,556</u>	<u>\$ 4,149,619</u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS:</b>					
Cash and investments	\$ 3,841,272	\$ -	\$ 61,791	\$ 161,556	\$ 4,064,619
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>\$ 3,926,272</u>	<u>\$ -</u>	<u>\$ 61,791</u>	<u>\$ 161,556</u>	<u>\$ 4,149,619</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2005**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (526,349)	\$ (23,815)	\$ 8,534	\$ -	\$ (541,630)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	11,839	-	69,026	80,865
Miscellaneous revenue	129,205	125	-	-	129,330
Changes in assets and liabilities:					
Accounts receivable	12,200	429	-	-	12,629
Intergovernmental receivable	14,743	-	-	-	14,743
Other assets	(26,748)	-	-	(217)	(26,965)
Inventories	-	9,096	-	-	9,096
Accounts payable	(67,259)	(50,809)	(14,798)	41,127	(91,739)
Due to other funds	-	85,370	-	-	85,370
Intergovernmental payable	(13,031)	1,232	-	-	(11,799)
Compensated absences	(26,067)	(54,289)	1,577	9,848	(68,931)
Claims liability	825,891	-	-	-	825,891
Total adjustments	<u>848,934</u>	<u>2,993</u>	<u>(13,221)</u>	<u>119,784</u>	<u>958,490</u>
Net cash provided (used) by operating activities	<u>\$ 322,585</u>	<u>\$ (20,822)</u>	<u>\$ (4,687)</u>	<u>\$ 119,784</u>	<u>\$ 416,860</u>

## ***STATISTICAL SECTION***

*The statistical section is presented for the purpose of additional analysis and contains data that may provide the reader with valuable insight regarding the demographics and financial position of the City.*

**CITY OF CHICO, CALIFORNIA**

**GOVERNMENT-WIDE EXPENSES BY FUNCTION  
LAST THREE FISCAL YEARS  
(Dollar amounts in thousands)**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Parks and Recreation</b>	<b>Community Development</b>	<b>Community Agencies</b>	<b>Redevelopment Agency</b>	<b>Interest on Long-Term Debt</b>
2003	\$ 5,658	\$24,316	\$ 4,711	\$ 2,725	\$ 2,403	\$ -	\$ 5,939	\$ 3,525
2004	5,107	26,359	7,868	3,083	2,123	-	7,990	3,384
2005	4,268	27,042	9,061	2,939	2,905	505	8,707	3,301

	<b>Sewer</b>	<b>Parking</b>	<b>Private Development</b>	<b>Airport</b>	<b>Transit</b>	<b>Waste Management</b>	<b>Total</b>
2003	\$ 5,771	\$ 728	\$ 3,658	\$ 988	\$ 2,893	\$ 88	\$ 63,403
2004	6,011	741	3,975	810	3,617	91	71,161
2005	6,452	739	4,645	818	3,753	1	75,137

Note: 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."

Source: City of Chico, Finance Department

**CITY OF CHICO, CALIFORNIA**  
**GOVERNMENT-WIDE REVENUES**  
**LAST THREE FISCAL YEARS**  
**(Dollar amounts in thousands)**

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	Gain on Sale of Capital Assets	Total
2003	\$ 18,801	\$ 5,615	\$ 10,315	\$ 35,318	\$ 3,907	\$ 2,040	\$ 759	\$ -	\$ 76,755
2004	21,434	6,252	14,951	39,053	3,090	1,356	718	19	86,874
2005	22,088	9,020	11,281	45,845	5,734	1,719	130	85	95,902

Note: 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."

Source: City of Chico, Finance Department

**CITY OF CHICO, CALIFORNIA**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
LAST NINE FISCAL YEARS  
(Dollar amounts in thousands)**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Parks and Recreation</b>	<b>Community Development</b>	<b>Community Agencies</b>	<b>Redevelopment</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Total (1)</b>
1997	\$ 5,929	\$ 12,027	\$ 2,242	\$ 1,689	\$ 631	\$ 487	\$ 234	\$ 16,206	\$ 3,500	\$ 42,945 <i>42,945</i>
1998	2,257	13,283	2,366	1,675	548	488	1,888	16,293	3,479	42,277 <i>41,577</i>
1999	2,699	14,064	2,526	1,839	944	431	2,477	32,154	3,508	60,642 <i>58,489</i>
2000	2,630	15,236	2,344	1,893	705	512	2,418	10,082	3,506	39,326 <i>36,566</i>
2001	2,397	17,292	2,835	1,896	1,249	646	2,405	11,416	3,536	43,672 <i>39,329</i>
2002	3,251	19,283	3,492	2,203	1,471	668	2,438	8,901	7,006	48,713 <i>43,406</i>
2003	4,027	22,905	4,465	2,494	2,382	699	5,950	8,461	5,926	57,309 <i>50,009</i>
2004	3,802	25,095	4,282	2,816	2,102	661	7,957	13,035	5,928	65,679 <i>55,500</i>
2005	3,897	25,944	5,118	2,640	2,875	505	8,674	14,012	6,052	69,717 <i>57,459</i>

Note: General Governmental Expenditures includes General, Special Revenue, Debt Service and Capital Projects Funds.

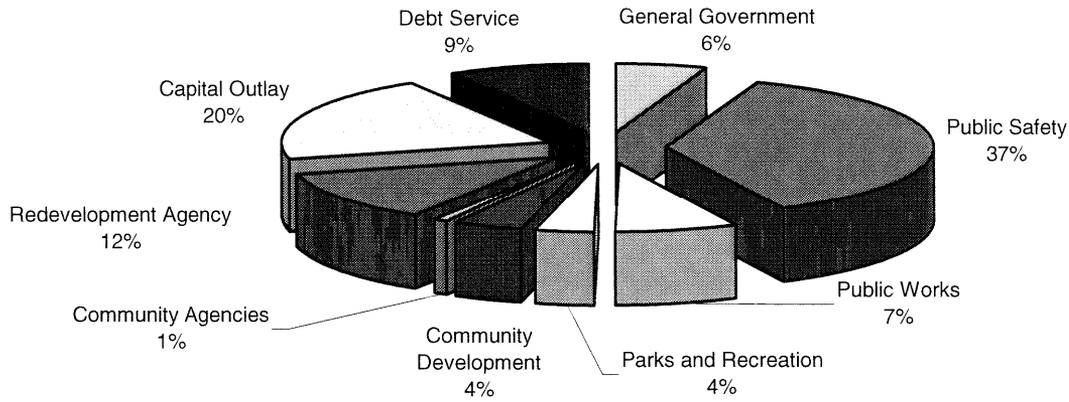
(1) Italicized numbers represent "constant dollars" based on the annual average (June to July) Consumer Price Index (CPI) for all urban consumers utilizing June, 1997 as the base period (100%). Data provided by the United States Department of Labor, Bureau of Labor Statistics.

(2) Data prior to 1997 is not presented since it was not reported consistently with subsequent years.

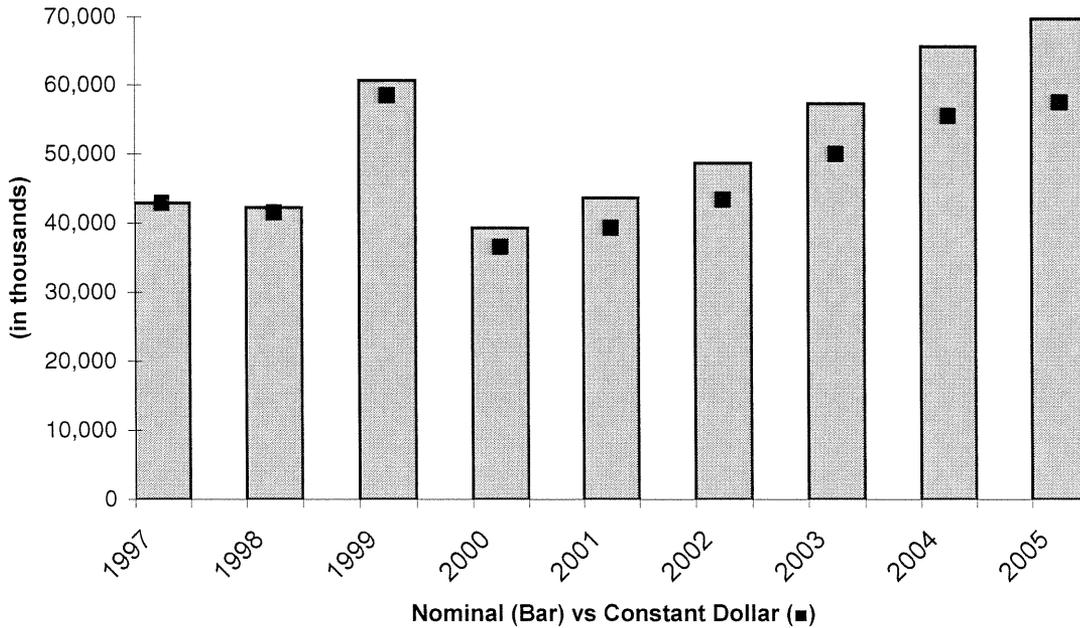
Source: City of Chico, Finance Department

U.S. Department of Labor, Bureau of Labor Statistics

# General Governmental Expenditures By Function (in thousands)



## General Governmental Expenditures Last Ten Fiscal Years



Note: Data prior to 1997 is not presented since it was not reported consistently with subsequent years.

**CITY OF CHICO, CALIFORNIA**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE  
LAST NINE FISCAL YEARS  
(Dollar amounts in thousands)**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter - governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeitures</b>	<b>Use of Money and Property</b>	<b>Misc.</b>	<b>Total (1)</b>
1997	\$ 23,200	\$ 88	\$ 6,101	\$ 2,049	\$ 284	\$ 1,686	\$ 419	\$ 33,827
								<i>33,827</i>
1998	24,053	77	7,270	4,427	326	1,519	512	38,184
								<i>37,552</i>
1999	26,074	86	7,638	4,822	534	1,692	649	41,495
								<i>40,022</i>
2000	27,764	45	7,960	3,916	693	2,042	917	43,336
								<i>40,295</i>
2001	30,238	62	8,820	5,543	723	3,185	1,212	49,782
								<i>44,832</i>
2002	32,153	54	9,358	5,679	813	2,802	742	51,600
								<i>45,979</i>
2003	35,184	59	9,135	8,071	773	2,288	3,343	58,853
								<i>51,356</i>
2004	39,028	68	9,477	9,952	774	1,720	782	61,801
								<i>52,223</i>
2005	45,845	79	11,831	8,524	908	2,165	584	69,935
								<i>57,638</i>

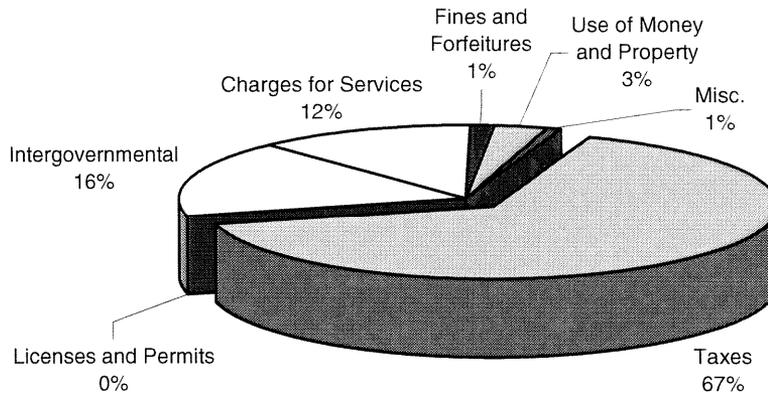
Note: General Governmental Revenues includes General, Special Revenue, Debt Service and Capital Projects

(1) Italicized numbers represent "constant dollars" based on annual average (June - July) Consumer Price Index (CPI) for all urban consumers utilizing June, 1997 as the base period (100%). Data provided by the United States Department of Labor, Bureau of Labor Statistics.

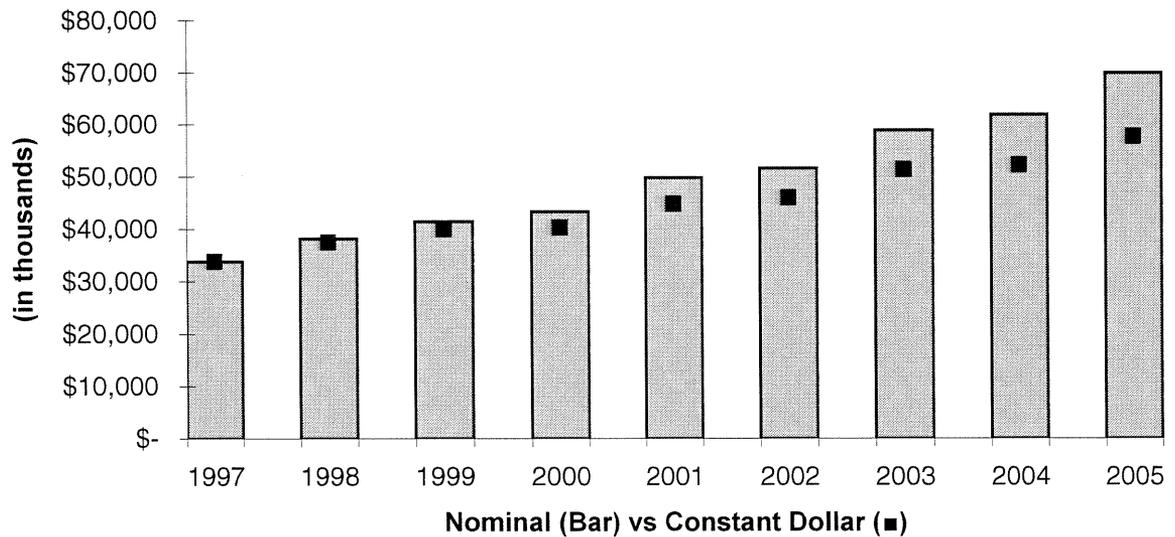
(2) Data prior to 1997 is not presented since it was not reported consistently with subsequent years

Source: City of Chico, Finance Department  
U.S. Department of Labor, Bureau of Labor Statistics

# General Governmental Revenues By Source (in thousands)



## General Government Revenues Last Ten Fiscal Years



Note: Data prior to 1997 is not presented since it was not reported consistently with subsequent years.

**CITY OF CHICO, CALIFORNIA**

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST THREE FISCAL YEARS  
(Dollar amounts in thousands)**

Fiscal Year	Other Taxes							Total (1)
	Property	Sales and Use	Utility	Franchise	Business License	Transient Occupancy	Document Transfer	
2003	\$ 13,847	\$13,989	\$ 4,679	\$ 784	\$ 274	\$ 1,315	\$ 296	\$ 35,184
								<i>29,208</i>
2004	16,087	14,822	5,207	837	267	1,391	418	39,028
								<i>31,375</i>
2005	21,442	15,826	5,334	900	425	1,452	466	45,845
								<i>35,945</i>

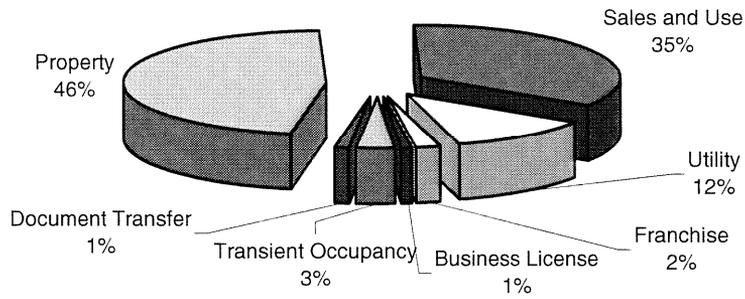
Notes: General Governmental Revenues includes General, Special Revenue, Debt Service and Capital Projects Funds.

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."

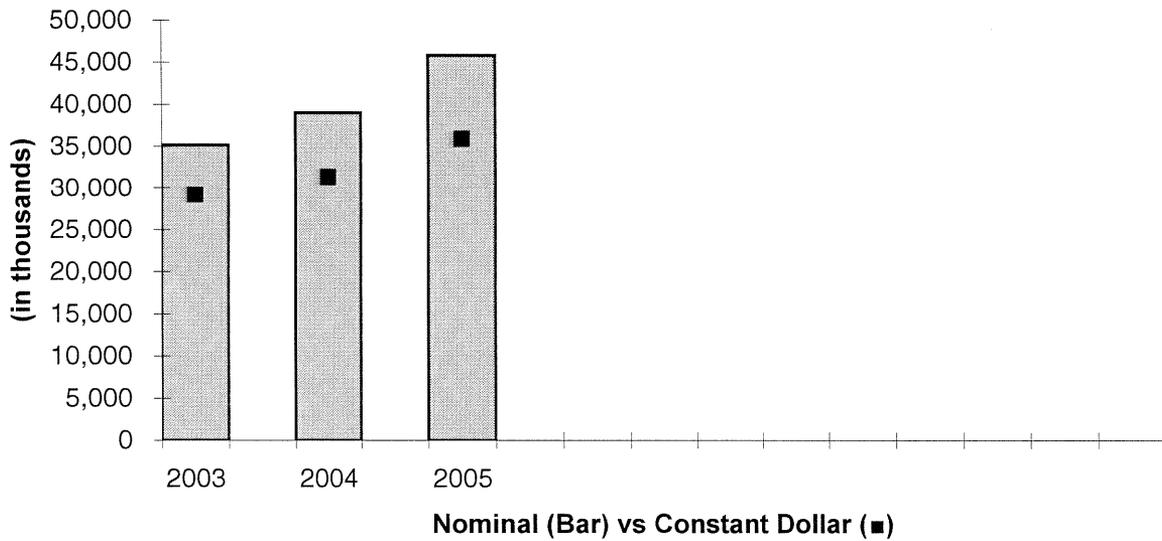
(1) Italicized numbers represent "constant dollars" based on the annual average (June - July) Consumer Price Index (CPI) for all urban consumers utilizing June, 1995 as the base period (100%). Data provided by the United States Department of Labor, Bureau of Labor Statistics.

Source: City of Chico, Finance Department

# General Governmental Tax Revenues By Source (in thousands)



## General Government Revenues Last Ten Fiscal Years



Note: Information is available beginning in fiscal year 2003, when the City implemented Governmental Accounting Standards Board (GASB) Statement No 34 "Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governmen

**CITY OF CHICO, CALIFORNIA**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

Fiscal Year			Percent of Levy		Total Tax Collections	Percent of Total Collections to Tax Levy
	Total Tax Levy	Current Tax Collections	Collected (1)	Delinquent Tax Collections		
1996	\$ 1,865	\$ 1,865	100.00	\$ -	\$ 1,865	100.00
1997	1,917	1,917	100.00	-	1,917	100.00
1998	1,990	1,990	100.00	-	1,990	100.00
1999	2,158	2,158	100.00	-	2,158	100.00
2000	2,379	2,379	100.00	-	2,379	100.00
2001	2,453	2,453	100.00	-	2,453	100.00
2002	2,653	2,653	100.00	-	2,653	100.00
2003	3,089	3,089	100.00	-	3,089	100.00
2004	3,450	3,450	100.00	-	3,450	100.00
2005	2,763	2,763	100.00	-	2,763	100.00

Note: Amounts shown are net of property tax administration fee.

- (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.
- (2) Reduction in 2005 property tax is due to state mandated payment of \$771 to the Butte County Educational Revenue Augmentation Fund (ERAF) per Senate Bill (SB) 1096.

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

**CITY OF CHICO, CALIFORNIA**

**ASSESSED FULL CASH VALUE OF ALL TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

Fiscal Year	By Roll			Gross Assessed Value	Less Exemptions	Net Assessed Value
	Secured Roll	Utility Roll	Unsecured Roll			
1996	\$ 2,086,441	\$ 4,760	\$ 198,844	\$ 2,290,045	\$ 146,896	\$ 2,143,150
1997	2,186,488	4,094	208,105	2,398,687	205,141	2,193,546
1998	2,366,376	3,821	229,925	2,600,122	171,653	2,428,469
1999	2,553,338	3,914	249,650	2,806,902	181,509	2,625,392
2000	2,799,758	4,121	266,662	3,070,541	274,403	2,796,137
2001	2,995,245	4,089	291,724	3,291,058	253,692	3,037,366
2002	3,256,334	4,094	303,940	3,564,368	254,056	3,310,312
2003	3,559,473	2,170	315,542	3,877,185	262,686	3,614,499
2004	3,932,120	846	336,436	4,269,403	302,877	3,966,525
2005	4,472,678	884	348,836	4,822,398	342,550	4,479,847

Fiscal Year	By Type			Gross Assessed Value	Less Exemptions	Net Assessed Value
	Land	Improvements	Personal Property			
1996	\$ 694,240	\$ 1,404,682	\$ 191,124	\$ 2,290,045	\$ 146,896	\$ 2,143,150
1997	722,937	1,529,506	146,244	2,398,687	205,141	2,193,546
1998	793,231	1,695,578	155,238	2,644,047	215,578	2,428,469
1999	858,770	1,841,388	154,606	2,854,764	229,371	2,625,392
2000	913,611	1,985,165	171,765	3,070,541	274,403	2,796,137
2001	971,741	2,135,942	183,375	3,291,058	253,692	3,037,366
2002	1,051,155	2,325,026	188,187	3,564,368	254,056	3,310,312
2003	1,137,984	2,549,268	189,933	3,877,185	262,686	3,614,499
2004	1,271,594	2,794,006	203,803	4,269,403	302,877	3,966,525
2005	1,446,583	3,165,664	210,151	4,822,398	342,550	4,479,847

Source: Butte County Auditor/Controller's Office

**CITY OF CHICO, CALIFORNIA**

**PROPERTY TAX RATES -- DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Basic Countywide Levy</b>	<b>City (1)</b>	<b>Chico Unified School District (2)</b>	<b>Butte County Schools (3)</b>	<b>Butte College (4)</b>	<b>Total</b>
1996	1.0000 %	0.0040 %	0.0303 %	0.0007 %	- %	1.0349 %
1997	1.0000	-	0.0455	0.0003	-	1.0457
1998	1.0000	-	0.0358	-	-	1.0358
1999	1.0000	-	0.0624	0.0006	-	1.0630
2000	1.0000	-	0.0491	-	-	1.0491
2001	1.0000	-	0.0508	-	-	1.0508
2002	1.0000	-	0.0514	-	-	1.0514
2003	1.0000	-	0.0456	-	0.0188	1.0644
2004	1.0000	-	0.0411	-	0.0171	1.0582
2005	1.0000	-	0.0390	-	0.0160	1.0550

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) City of Chico: 1972 Sewer Bonds for construction of Water Pollution Control Facilities and 1976 Fire Equipment Bonds for acquisition of fire equipment (three pumpers and two aerial ladders).
- (2) Chico Unified School District: 1988 Building Fund Bond and subsequent refinancing.
- (3) Butte County State School Building Program: Second phase of Loma Vista special education facility.
- (4) Butte-Glenn Community College District: General obligation bonds, 2002 Series A.

Source: Butte County Auditor/Controller's Office

**CITY OF CHICO, CALIFORNIA**

**LARGEST SECURED PROPERTY TAXPAYERS**

**June 30, 2005**

**(Dollar amounts in thousands)**

<b>Taxpayer</b>	<b>Nature of Business</b>	<b>2004 Assessed Valuation</b>	<b>Percentage of Total Assessed</b>
Chico Mall Partners LP	Chico Mall	\$ 59,956	1.452 %
Pan Pacific Development LLC	Crossroads Center	20,631	0.500
Evergreen Orchard LLC	Real Property Lessor	18,063	0.437
Lowes HIW Inc.	Retail Merchandise	17,258	0.418
Western Investment Real Estate Trust	Skypark Plaza	15,082	0.365
Grossman Family Trust, Et. Al	Sierra Nevada Brewery	15,965	0.387
Gregory L. Webb	Apartments	13,577	0.329
1661 Forest Avenue Investors	Apartments	12,879	0.312
Edward E. Wittmeier	Auto Dealerships	13,467	0.326
California Water Service Company	Water Service Company	22,529	0.545
Largest Secured Property Valuation		\$ 209,407	5.070 %
Other Secured Taxpayers		3,920,722	94.930
Total Secured Property Valuation - Net of Exemptions		\$ 4,130,128	100.000 %

Source: Butte County Auditor/Controller's Office  
HdL's "2004 Top Property Taxpayers - Secured"

**CITY OF CHICO, CALIFORNIA**

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

<b>Fiscal Year</b>	<b>Current Assessments Due</b>	<b>Current Assessments Collected</b>	<b>Total Collection as Percentage of Current Assessments Due</b>	<b>Total Outstanding Delinquent Assessments</b>
1996	\$ 65	\$ 65	100.00 %	\$ -
1997	114	114	100.00	-
1998	100	100	100.00	-
1999	138	138	100.00	-
2000	221	221	100.00	-
2001	172	172	100.00	-
2002	267	267	100.00	-
2003	340	340	100.00	-
2004	419	419	100.00	-
2005	536	536	100.00	-

Note: 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.

Source: City of Chico, Finance Department

CITY OF CHICO, CALIFORNIA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2005

(Dollar amounts in thousands)

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Total Assessed Valuation (less other exemptions)	\$ 4,479,847
Less: Redevelopment Tax Increment	3,154,081
Basis of Levy	<u>\$ 1,325,767</u>
Debt Limit - 15 Percent of Assessed Valuation (1)	\$ 671,977
Amount of Debt Applicable to Debt Limit	<u>-</u>
Legal Debt Margin	<u>\$ 671,977</u>

(1) Section 43605 California Government Code

Source: Butte County Auditor/Controller's Office

**CITY OF CHICO, CALIFORNIA**

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO TAXABLE ASSESSED  
VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

Fiscal Year	City Population (1)	Net Assessed Value	Gross Bonded Debt	Debt Payable from Enterprise Revenue	Net Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	51,100	2,143,150	\$ 150	\$ -	\$ 150	0.007 %	2.94
1997	54,200	2,193,546	55	-	55	0.003	1.01
1998	56,900	2,428,469	-	-	-	-	0.00
1999	58,800	2,625,392	-	-	-	-	0.00
2000	60,400	2,796,137	-	-	-	-	0.00
2001	65,391	3,037,366	-	-	-	-	0.00
2002	67,261	3,310,312	-	-	-	-	0.00
2003	68,722	3,614,499	-	-	-	-	0.00
2004	71,154	3,966,525	-	-	-	-	0.00
2005	73,558	4,479,847	-	-	-	-	0.00

(1) 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

**CITY OF CHICO, CALIFORNIA**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION  
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1996	\$ 90	\$ 12	\$ 102	\$ 5,209	0.020 %
1997	95	7	102	5,929	0.017
1998	55	1	56	2,257	0.025
1999	-	-	-	2,699	0.000
2000	-	-	-	2,630	0.000
2001	-	-	-	2,397	0.000
2002	-	-	-	3,251	0.000
2003	-	-	-	4,027	0.000
2004	-	-	-	3,802	0.000
2005	-	-	-	3,897	0.000

Source: City of Chico, Finance Department

**CITY OF CHICO, CALIFORNIA**

**OVERLAPPING BONDED DEBT**

**(Dollar amounts in thousands)**

**June 30, 2005**

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<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>City Share of Debt</u>
Overlapping Tax:			
Chico Unified School District	\$ 29,805	65.48%	\$ 19,515
Butte-Glenn Community College District	28,969	34.98%	10,132

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

**CITY OF CHICO, CALIFORNIA**

**REVENUE BOND COVERAGE  
1994 PARKING REVENUE BONDS**

**June 30, 2005**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Revenue Available for Debt Service</b>	<b>Total Debt Service</b>	<b>Coverage</b>
1996	\$ 649,493	\$ 280,686	\$ 368,807	\$ 209,350	1.76 %
1997	599,601	251,590	348,011	264,350	1.32
1998	636,430	296,762	339,668	262,013	1.30
1999	691,570	286,050	405,520	264,538	1.53
2000	743,620	306,936	436,684	261,688	1.67
2001	748,078	317,784	430,294	263,748	1.63
2002	768,435	371,549	396,886	265,433	1.50
2003	759,113	398,447	360,666	261,758	1.38
2004	737,675	408,954	328,721	262,978	1.25
2005	788,906	445,823	343,083	243,746	1.41

Note: Bonds issued in 1994

Source: City of Chico, Finance Department

**CITY OF CHICO, CALIFORNIA**

**DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Square Miles</b>	<b>City Population (1)</b>	<b>Population Percent Change</b>	<b>County Population (1)</b>	<b>City Population as a Percent of County</b>	<b>Rank in California by Population (2)</b>
1996	26.31	51,100	0.020 %	197,029	0.259 %	-
1997	26.97	54,200	0.061	199,134	0.272	-
1998	27.37	56,900	0.050	201,596	0.282	-
1999	27.46	58,800	0.033	201,935	0.291	-
2000	28.06	60,400	0.027	204,046	0.296	-
2001	28.47	65,391	0.083	205,753	0.318	-
2002	28.79	67,261	0.029	207,001	0.325	-
2003	29.00	68,722	0.022	210,367	0.327	-
2004	29.50	71,154	0.035	212,237	0.335	103
2005	29.80	73,558	0.034	214,119	0.344	103

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

(2) Ranking unavailable for years prior to 2004.

Source: City of Chico, Community Development Department, Planning  
State of California, Department of Finance, Demographic Research Unit

**CITY OF CHICO, CALIFORNIA**

**CONSTRUCTION ACTIVITY  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

<b>Fiscal Year</b>	<b>Building Permits Issued</b>	<b>Percent Change</b>	<b>Estimated Valuation</b>	<b>Percent Change</b>
1996	305	0.446 %	\$ 37,365	0.523 %
1997	221	-0.275	31,124	-0.167
1998	379	0.715	61,135	0.964
1999	601	0.586	96,059	0.571
2000	456	-0.241	70,193	-0.269
2001	436	-0.044	104,692	0.492
2002	556	0.275	88,537	-0.154
2003	714	0.284	106,942	0.208
2004	649	-0.091	149,330	0.396
2005	603	-0.071	107,161	-0.282

Source: City of Chico, Community Development Department, Building Inspections

# CITY OF CHICO, CALIFORNIA

## MISCELLANEOUS STATISTICS

June 30, 2005

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### GEOGRAPHICAL LOCATION

Situated in the Northern Sacramento Valley, approximately ninety miles north of Sacramento, Chico is the largest city in Butte County and serves as the commercial center for a three-county regional market area. Chico is located on Highway 99, east of Interstate 5.

### GENERAL

Date of Incorporation	February 5, 1872
City Charter Adopted	December 15, 1921
Form of Government	Council-Manager
Area/Square Miles	29.80
Elevation	230

### DEMOGRAPHIC

Number of Housing Units	30,344
Median Family Income	49,100

### LAND USE - SQUARE MILES

Residential	7.40
Commercial, Service, Offices	2.00
Manufacturing & Processing	0.70
Institutional, Educational	3.40
Parks, Designated Open Space	10.20
Agricultural, Vacant	6.10
Miles of Streets	217.5
Traffic Signals	93

### CITY EMPLOYEES

Permanent	413
Hourly	11

### CITY AIRPORT

Passengers per year	35,531
Aircraft Based at Airport	130
Number of Hangers	92
Runway Lengths 13L/31R	6,722 ft
Runway Lengths 13R/31L	3,005 ft
Airport design aircraft	DC-9

### CHICO AREA TRANSIT

Buses	20
Annual Ridership	833,982

### CHICO CLIPPER

Vehicles	9
Annual Ridership	59,907

