



# City of Chico

California



# 2010

## **Comprehensive Annual Financial Report**

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**Fiscal Year Ended June 30, 2010**

**CITY OF CHICO**  
**CHICO, CALIFORNIA**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2010**

**Prepared by:**  
**Chico Finance Department**

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**CITY OF CHICO, CALIFORNIA**  
June 30, 2010

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## FINANCE OFFICE

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Chico, CA 95927 <http://www.ci.chico.ca.us>

November 1, 2010

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, 2010. The Finance Office publishes the CAFR to provide information about the City to its citizens, the investment community, the general public, and others who may have an interest in the financial well being of the City. The data presented is designed to help readers assess our financial condition and understand the services we provide to the citizens of the City of Chico. This letter of transmittal is designed to be read with and complement the Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditor.

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

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

The Charter of the City of Chico requires an annual audit to be conducted by an independent auditor hired by the City Council. The audit report is to be prepared in accordance with auditing standards generally accepted in the United States of America (GAAP) and submitted to the City Council on or before the first regular City Council meeting in February. Richardson and Company, 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, 2010, 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 2009, the incorporated area of the City of Chico has grown to over 30 square miles, with a population of 87,713.

Chico is the largest city in Butte County, located in the Northern Sacramento Valley approximately 90 miles north of Sacramento, and serves as the commercial center for a three-county regional market area.

Chico supports a diverse range of industries including agriculture, recreation, tourism, education, medical, and manufacturing. Chico is also the home of the second oldest institution in the California State University system, enrolling over 16,000 students.

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

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

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

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

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

The City of Chico is still experiencing the affects of the global recession, as evidenced by the dramatic decline in tax revenue as well development-related revenue. Since 2008, total General Fund revenue has declined 8%, with sales tax declining 15% over this same time period. While property taxes increased by 8% over the past two years, it is projected to decline 3% in 2010-11, due to the timing differential in assessing property values and the collection of property tax.

The State of California's budget crisis has also negatively impacted the City's revenue, with a \$9.2 million transfer of redevelopment funds in to the Supplemental Educational Revenue Augmentation Fund (SERAF). This mandatory payment to the state caused the delay in a number of capital projects, and the elimination of arts set-aside funding for a two year period.

In addition to the declining tax revenue, Butte County's unemployment rate has consistently been above 10% for nearly two years. Currently, the rate stands at 13.1% (September 2010), compared to 12.2% for the State and 9.2% for the nation. Many major employers, including the State of California, California State University, Chico and Chico Unified School District imposed work furloughs over the past year, which negatively effects levels of disposable income, and in turn, sales tax revenue to the City.

The building and development sector of the economy is still depressed, with Public Facilities Impact Fees revenue declining from \$16.7 million in 2008 down to \$3.6 million in 2010.

**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 attrition on vacation payment obligations, or other catastrophic events. The desired level of this fund is established at 20 percent of the General Fund operating expenditures. Following the close of books each year, the Finance Director, at the discretion of the City Manager, is authorized to transfer funds in an amount equal to 20 percent of the amount in excess of the General Fund Operating Reserve to the Emergency Reserve Fund. At the discretion of the City Manager, an amount greater than 20 percent can be transferred provided such amount does not exceed the difference between the actual fund balance and the desired Operating Reserve.
- **Replacement Funds** – The City maintains a number of replacement funds including a Technology Replacement Fund to accumulate funds for the replacement of technological equipment, a Fleet Replacement Fund for the replacement of the City’s vehicle fleet, and a Facilities Maintenance Fund for the repair and maintenance of City-owned facilities. Annual contributions are made from the funds owning such equipment or vehicles, based on the estimated cost to replace the item at the end of its useful life.

**Major Initiatives**

Since 2008, the City of Chico has been diligent in reducing its expenditures in attempts to resolve the structural imbalance within the City’s General Fund. The City Council adopted the Strategy to Balance the Ten Year Financial Plan in May 2008, which included the re-negotiation of all labor contracts to limit future wage increases and increase employees’ share of health insurance, as well as a 7.5% reduction to all eligible operating budgets. Through this Strategy, the City eliminated 23 positions solely through attrition and reduced actual operating expenditures by over \$600,000 since 2008.

With the onset of the global recession, the City has been forced to reduce expenditures even further to respond to the declining revenue base. Through the FY2010-11 Budget process, the City has employed a number of additional cost cutting measures, while maintaining the goal of preserving as many jobs as possible and continuing to provide the citizens of Chico the core services the City offers. The table below summarizes the budget reduction targets adopted as part of the FY2010-11 Annual Budget.

<u>\$4,223,210</u> Operational Reductions	+	<u>\$430k</u> Voluntary Position Reductions	+	<u>\$2,078,285</u> Wage/Benefit Concessions	=	<b>\$6,731,494</b>
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*Operational Reductions*

Of the \$4.2 million in savings projected, \$3.4 million is to be achieved in FY2010-11 through reductions in staffing (19 vacant positions), public safety overtime, reductions to Community Agency funding, operating budget cuts, and adjustments to inter-fund transfers. These reductions are proposed to remain effective throughout FY2011-12 with an additional \$800k in reductions becoming effective in FY2011-12.

*Voluntary Position Reductions*

This reduction measure includes the CalPERS early retirement program offered to eligible employees. The early retirements become effective October 1st, so the \$430k amount represents 9 months of savings if 15 employees participated in the program. However, a total of 17 employees took advantage of this program, saving the General & Park Fund approximately \$765k per year.

*Wage & Benefit Concessions*

The City is proposing an "across-the-board" wage reduction of 5% for all employees. In addition, the City is proposing to change the cost-sharing percentage for Health Insurance from 75/25% to 60/40%, whereby the City's contribution decreases from 75% of the average premium to 60%. Both of these proposals would become effective January 1, 2011.

With the implementation of these reduction measures, the General and Park Funds are projected to balance over the next two fiscal years.

**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, 2009. This was the seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

  
\_\_\_\_\_  
David Burkland  
City Manager

  
\_\_\_\_\_  
Jennifer Hennessy  
Finance Director



# Citizens of Chico

## City Council

### BOARDS & COMMISSIONS

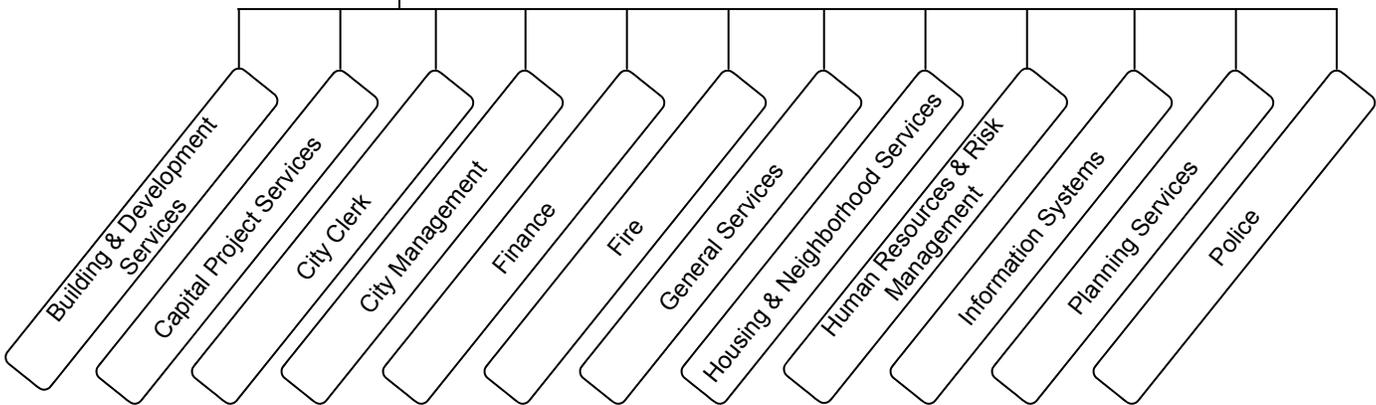
- Airport Commission
- Architectural Review Board
- Arts Commission
- Bidwell Park & Playground Commission
- Human Resources Commission
- Planning Commission

### COUNCIL COMMITTEES

- Economic Development Committee
- Finance Committee
- Internal Affairs Committee
- Town & Gown Committee

## City Manager

## City Attorney



# DIRECTORY OF CITY OFFICIALS

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**Ann Schwab**, *Mayor*

**Tom Nickell**, *Vice-Mayor*

**Andy Holcombe**, *Councilmember*      **Jim Walker**, *Councilmember*

**Mary Flynn**, *Councilmember*      **Larry Wahl**, *Councilmember*

**Scott Gruendl**, *Councilmember*

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**David Burkland**

*City Manager*

**John Rucker**

*Assistant City Manager*

**Mark Wolfe**

*Planning Services Director*

**Cindy Pierce**

*Administrative Services  
Director*

**Lori Barker**

*City Attorney*

**Debbie Presson**

*City Clerk*

**Mike Maloney**

*Chief of Police*

**James Beery**

*Fire Chief*

**Tom Varga**

*Capital Project Services Director*

**Lynn McEnespy**

*Information Systems Director*

**Jennifer Hennessy**

*Finance Director*

**Teresa Campbell**

*Director-Human Resources  
& Risk Management*

**Sherry Morgado**

*Housing & Neighborhood  
Services Director*

**Fritz McKinley**

*Building & Development  
Services Director*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Chico California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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.



A stylized, handwritten signature in black ink, appearing to be "J. H. Emer".

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director



# Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chico, California, as of and for the year then ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Chico, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 City of Chico, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and other required supplementary information on pages 3 through 12 and pages 63 through 70, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued under a separate cover our report dated November 1, 2010 on our consideration of the City of Chico, California'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

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

an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

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, supplemental budgetary comparisons, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental budgetary comparisons have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*Richardson & Company*

November 1, 2010

## 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, 2010. 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 2010 by \$360,698,718. Of this amount, \$323,921,020 is invested in capital assets, net of related debt; \$82,624,674 is restricted for specific purposes; and (\$45,846,976) is unrestricted. Negative unrestricted net assets are primarily due to the governmental activities acquisition of debt to pay for the Water Pollution Control Plant Expansion Project, which is an asset owned by the Sewer Enterprise Fund (Business-type activity).
- The City's total net assets decreased by \$7,347,311 over the prior fiscal year.
- As of June 30, 2010, the City's governmental funds reported combined fund balances of \$108,824,479, a decrease of \$12,988,009 from the prior year. Approximately 40% of the combined fund balances, or \$42,992,337, 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 \$6,755,062, or 15% of total General Fund expenditures. The entire amount is designated for emergencies.
- The City's total long-term debt increased \$7,158,866 over the prior year. The increase is due primarily to the state loans used to finance the expansion of the Water Pollution Control Plant Expansion Project, Outfall Project and Nitrate Action Plan.

### 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 unused vacation leave that has been earned).

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

## Management's Discussion and Analysis

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

Complete financial statements of the Chico Redevelopment Agency, Chico Public Financing Authority and the Chico Urban Area Joint Powers Financing Authority may be obtained from the Finance Department of the City of Chico at 411 Main Street, Chico, California 95927.

The government-wide financial statements can be found on pages 13-16 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 fund financial statements focus on *near-term inflows* and *outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains fourteen 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 19 - 24 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, private development and airport operations, which are considered to be major funds of the City.

## Management's Discussion and Analysis

*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 primarily governmental functions, they have been included within *governmental 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 25 - 28 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 29 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 33 - 61 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 and the City's Other Postemployment Benefits Plan is presented as required supplementary information. Required supplementary information can be found beginning at page 63 of this report.

**Other Information** includes the *combining and individual fund statements and schedules* referred to earlier, which provide information for nonmajor governmental funds, enterprise, and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 75 - 93 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 \$360,698,718 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$323,921,020 or 90%, 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

## Statement of Net Assets June 30, 2010 and June 30, 2009

	Governmental Activities		Business-type Activities		Total		Total	
	2010	2009	2010	2009	2010	2009	Dollar Change	Percent Change
Current and other assets	\$ 139,421,449	\$ 153,596,193	\$ 894,220	\$ 1,843,364	\$ 140,315,669	\$ 155,439,557	\$ (15,123,888)	-10%
Capital assets	311,452,411	307,169,027	121,549,289	112,323,851	433,001,700	419,492,878	13,508,822	3%
Total assets	450,873,860	460,765,220	122,443,509	114,167,215	573,317,369	574,932,435	(1,615,066)	0%
Current and other liabilities	16,368,184	17,677,978	1,918,993	2,035,821	18,287,177	19,713,799	(1,426,622)	-7%
Long-term liabilities	179,948,315	174,036,071	14,383,159	13,136,536	194,331,474	187,172,607	7,158,867	4%
Total liabilities	196,316,499	191,714,049	16,302,152	15,172,357	212,618,651	206,886,406	5,732,245	3%
Net assets:								
Invested in capital assets, net of related debt	216,288,337	222,778,204	107,632,683	99,652,965	323,921,020	322,431,169	1,489,851	0%
Restricted net assets	80,689,277	77,167,292	1,935,397	2,763,757	82,624,674	79,931,049	2,693,625	3%
Unrestricted net assets	(42,420,253)	(30,894,325)	(3,426,723)	(3,421,864)	(45,846,976)	(34,316,189)	(11,530,787)	-34%
Total net assets	\$ 254,557,361	\$ 269,051,171	\$ 106,141,357	\$ 98,994,858	\$ 360,698,718	\$ 368,046,029	\$ (7,347,311)	-2%

Another portion of the City's net assets, \$82,624,674 or 23%, represents the City's *restricted net assets*, which are subject to external restrictions on how they may be used.

The remaining balance of (\$45,846,976) represents *unrestricted net assets*, which may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets related to governmental activities is negative due to debt issued to finance the upgrade and expansion of the Water Pollution Control Plant, which is reported as a business activity. Repayment of this debt is from public facilities impact fees but the assets belong to the Sewer Enterprise Fund.

The government's net assets decreased by \$7,347,311 during the current fiscal year, primarily due to the mandatory Supplemental Education Revenue Augmentation Fund (SERAF) payment imposed by the State of California in the amount of \$9,248,048, and offset by \$1,637,225 in capital contributions resulting from the donation of infrastructure by developers.

## Management's Discussion and Analysis

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

### Statement of Activities For the Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total		Total	
	2010	2009	2010	2009	2010	2009	Dollar Change	Percent Change
<b>Program revenues:</b>								
Charges for services	\$ 5,832,336	\$ 5,866,273	\$ 11,930,182	\$ 12,339,994	\$ 17,762,518	\$ 18,206,267	\$ (443,749)	-2%
Operating grants and contributions	11,668,670	10,251,820	-	11,701	11,668,670	10,263,521	1,405,149	14%
Capital grants and contributions	4,545,347	11,913,513	1,345,424	811,158	5,890,771	12,724,671	(6,833,900)	-54%
<b>General revenues:</b>								
Taxes	68,451,627	69,935,146	-	-	68,451,627	69,935,146	(1,483,519)	-2%
Grants and contributions not restricted to specific programs	715,742	822,731	-	-	715,742	822,731	(106,989)	-13%
Unrestricted investment earnings	335,606	2,939,327	(15,589)	7,138	320,017	2,946,465	(2,626,448)	-89%
Miscellaneous	154,517	194,658	-	-	154,517	194,658	(40,141)	-21%
Loss on disposal of capital assets	(123,430)	(239,032)	-	-	(123,430)	(239,032)	115,602	-48%
<b>Total revenues</b>	<b>91,580,415</b>	<b>101,684,436</b>	<b>13,260,017</b>	<b>13,169,991</b>	<b>104,840,432</b>	<b>114,854,427</b>	<b>(10,013,995)</b>	<b>-9%</b>
<b>Expenses:</b>								
General government	1,885,212	2,017,346	-	-	1,885,212	2,017,346	(132,134)	-7%
Public safety	38,146,011	38,422,756	-	-	38,146,011	38,422,756	(276,745)	-1%
Public works	16,244,327	17,116,124	-	-	16,244,327	17,116,124	(871,797)	-5%
Parks and recreation	3,521,115	4,011,254	-	-	3,521,115	4,011,254	(490,139)	-12%
Community development	4,651,983	5,298,271	-	-	4,651,983	5,298,271	(646,288)	-12%
Community agencies	465,100	765,443	-	-	465,100	765,443	(300,343)	-39%
Redevelopment	24,925,309	15,159,338	-	-	24,925,309	15,159,338	9,765,971	64%
Interest on long-term debt	7,036,135	6,145,106	-	-	7,036,135	6,145,106	891,029	14%
Sewer	-	-	8,814,716	8,443,442	8,814,716	8,443,442	371,274	4%
Parking	-	-	812,517	1,726,200	812,517	1,726,200	(913,683)	-53%
Private development	-	-	4,096,538	4,528,173	4,096,538	4,528,173	(431,635)	-10%
Airport	-	-	1,452,005	1,447,152	1,452,005	1,447,152	4,853	0%
<b>Total expenses</b>	<b>96,875,192</b>	<b>88,935,638</b>	<b>15,175,776</b>	<b>16,144,967</b>	<b>112,050,968</b>	<b>105,080,605</b>	<b>6,970,363</b>	<b>7%</b>
Excess before transfers	(5,294,777)	12,748,798	(1,915,759)	(2,974,976)	(7,210,536)	9,773,822	(16,984,358)	-174%
Transfers	(9,199,033)	(20,915,397)	9,062,258	20,915,397	(136,775)	-	(136,775)	
<b>Change in net assets</b>	<b>(14,493,810)</b>	<b>(8,166,599)</b>	<b>7,146,499</b>	<b>17,940,421</b>	<b>(7,347,311)</b>	<b>9,773,822</b>	<b>(17,121,133)</b>	<b>-175%</b>
Net assets, July 1, 2009	269,051,171	277,217,770	98,994,858	81,054,437	368,046,029	358,272,207	9,773,822	3%
<b>Net assets, June 30, 2010</b>	<b>\$ 254,557,361</b>	<b>\$ 269,051,171</b>	<b>\$ 106,141,357</b>	<b>\$ 98,994,858</b>	<b>\$ 360,698,718</b>	<b>\$ 368,046,029</b>	<b>\$ (7,347,311)</b>	<b>-2%</b>

**Governmental Activities.** Governmental activities decreased the City's net assets by \$14,493,810. Expenses from governmental activities exceeded revenue by \$5,294,777. Transfers accounted for a \$9,199,033 decrease in net assets and primarily represented the portion of the Water Pollution Control Plant Expansion Project expended from governmental funds but transferred to the Sewer Enterprise Fund.

**Revenues.** Total revenues for governmental activities decreased 9% from the prior year:

- Operating grants and contributions increased 14% from the prior year due to Proposition 1B funding of approximately \$1,500,000.
- The majority of the capital grants and contributions are a result of contributed infrastructure assets from developers completing subdivisions. With subdivision activity slowing due to the recession's impact on the housing market and with the majority of annexations completed, revenue declined by approximately \$6,800,000 from the prior year.

## Management's Discussion and Analysis

- Total tax revenue, which represents approximately 65% of all revenue, decreased 2% from the prior year. Although Property Tax revenue was almost flat compared to the prior year, Sales Tax revenue was down approximately 5% over the prior year due to the continued sagging economy. In addition, Utility Users' Tax decreased approximately 3% and Transient Occupancy Tax decreased approximately 6%.
- Unrestricted investment earnings decreased 89% over the prior year due mainly to a reduction in the City's cash and investment balance and a reduction in the average investment rate of return which fell from 2.8% in fiscal year 2008-09 to 0.9% in fiscal year 2009-10.

**Expenses.** Total expenses for governmental activities decreased 9% over the prior year.

- General government expenses, public safety expenses, public works expenses, park and recreation expenses and community development expenses all decreased between 1% and 12% due to various cost reduction measures implemented by the City.
- Redevelopment expenses increased 64% (\$9,765,971) due to the mandatory SERAF payment imposed by the State of California in the amount of \$9,248,048.

**Business-type Activities.** Business-type activities increased the City's net assets by \$7,146,499. Business-type activities expenses exceeded revenues by \$1,915,759 while transfers increased net assets by \$9,062,258 primarily due to capital contributions from governmental activities for construction of the Water Pollution Control Plant expansion project. In addition, Parking Enterprise Fund expenses decreased primarily due to a reduction in maintenance projects and depreciation charges. The operations of individual enterprise funds are discussed more thoroughly in the Proprietary Funds section on page 26.

### 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.

## Management's Discussion and Analysis

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	Redevelop- ment Agency
Revenues	\$ 39,506,128	\$ 2,253,761	\$ 3,635,021	\$ 2,998,310	\$ 32,458,083
Expenditures	45,473,025	1,354,094	14,113,113	1,279,122	36,014,432
Other financing sources (uses), net	3,273,852	-	6,714,935	-	(4,108,912)
Change in fund balances	(2,693,045)	899,667	(3,763,157)	1,719,188	(7,665,261)
Fund balances (deficits), July 1, 2009	9,591,040	3,525,498	8,805,852	(2,954,142)	79,510,102
Fund balances (deficits), June 30, 2010	<u>\$ 6,897,995</u>	<u>\$ 4,425,165</u>	<u>\$ 5,042,695</u>	<u>\$ (1,234,954)</u>	<u>\$ 71,844,841</u>

	Nonmajor Funds			
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Revenues	\$ 8,353,418	\$ 232,590	\$ 88,381	\$ 89,525,692
Expenditures	6,793,993	4,326,520	2,297,293	111,651,592
Other financing sources (uses), net	(4,131,967)	5,181,071	2,208,912	9,137,891
Change in fund balances	(2,572,542)	1,087,141	-	(12,988,009)
Fund balances, July 1, 2009	8,545,081	13,059,682	1,729,375	121,812,488
Fund balances, June 30, 2010	<u>\$ 5,972,539</u>	<u>\$ 14,146,823</u>	<u>\$ 1,729,375</u>	<u>\$ 108,824,479</u>

At June 30, 2010, the City's governmental funds reported combined fund balances of \$108,824,479, a decrease of \$12,988,009 from the prior year. Approximately 40% of this total amount, \$42,992,337, is available for spending for the City's current and future needs. The remainder of fund balance is reserved and is unavailable for new spending because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period (\$9,563,548), 2) pay debt service (\$8,672,534), 3) reflect loans receivable that are long-term in nature and thus do not represent available spendable resources (\$40,787,659), and 4) reflect amounts reserved for other purposes (\$6,808,401).

Revenues for governmental funds overall totaled \$89,525,692, a decrease of \$3,975,572 (4%) over the prior fiscal year, and expenditures for governmental funds totaled \$111,651,592, a decrease of \$11,318,634 (9%). In the current fiscal year, expenditures for governmental funds exceeded revenues by \$22,125,900 (20%).

The General Fund is the chief operating fund of the City. At June 30, 2010, unreserved fund balance of the General Fund was \$6,755,062 (all of which is designated for emergencies) while total fund balance was \$6,897,995. 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 15% of total fund expenditures, while total fund balance represents 15% of that same amount.

The fund balance of the City's General Fund decreased by 28% during the fiscal year. Revenues decreased by 7% which included a 1% increase in property taxes, a 5% decrease in sales tax, and a 42% decrease in intergovernmental revenue which was caused by an approximately \$1,200,000 decrease in fire department mutual aid reimbursements. Expenditures decreased by 2% due to the continued impact of the City's deficit reduction strategy. Specifically, expenditures in community development decreased 32% due to further cuts in community organization funding.

Housing Fund revenues exceeded expenditures by \$889,667. The excess of revenues over expenditures was the result of additional draws for the federal home program used for loans. The draws are reported as revenue while the loan disbursements are reported as loans receivable.

## Management's Discussion and Analysis

The fund balance of the Public Facilities Impact Fees Fund decreased by \$3,763,157 due to reduced developer impact fee revenue caused by the continued decline in the construction sector resulting from the economic recession. The Fund benefited from \$6,743,701 in State Revolving Fund loans for construction of the Water Pollution Control Plant Expansion and Outfall Project and in turn expended those proceeds on these projects.

Revenues in the Capital Grants Fund exceeded expenditures by \$1,719,188. The excess of revenues over expenditures were due to reimbursements of \$1,878,581 for the Cohasset Road Widening Project.

The fund balance of the Redevelopment Agency decreased by \$7,665,251 due primarily to the SERAF payment of \$9,248,048 included as part of the state's budget balancing strategy. As a result, some projects were deferred. However, some major projects were still conducted during the year including East Eighth Street reconstruction, Cohasset Road widening project and the State Highway 99/Skyway Interchange project.

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

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

	Sewer	Parking	Private Development	Airport	Total
Operating revenues	\$ 8,585,639	\$ 995,880	\$ 1,766,049	\$ 535,875	\$ 11,883,443
Operating expenses	8,405,215	805,570	4,096,538	1,452,005	14,759,328
Operating income (loss)	180,424	190,310	(2,330,489)	(916,130)	(2,875,885)
Nonoperating revenues (expenses), net	618,378	(5,012)	(41,679)	172,042	743,729
Income (loss) before contributions and transfers	798,802	185,298	(2,372,168)	(744,088)	(2,132,156)
Contributions and transfers	8,850,611	(38,408)	471,947	(5,495)	9,278,655
Change in net assets	<u>\$ 9,649,413</u>	<u>\$ 146,890</u>	<u>\$ (1,900,221)</u>	<u>\$ (749,583)</u>	<u>\$ 7,146,499</u>

- Sewer Fund revenues and operating expenses both increased 1%. Both changes are consistent with the relatively low level of new sewer hook-ups during the year as well as cost-cutting measures implemented in all City Funds.
- Parking Fund revenues were flat while expenses decreased 48% from the prior year. The decrease in expenses was due to two primary occurrences in the prior year (a prior year additional charge of \$300,000 to depreciation and a prior year paving cost of \$350,000) that were not applicable in the current year. In addition, the Parking Authority repaid the remaining \$1,030,000 in Parking Bonds on August 1, 2009, which reduced interest expense.
- The Private Development Fund continues to show a decline in net assets due to the combination of insufficient fees combined with the impact of the national economic recession and its effects on development-related activities. The City has taken an aggressive approach to stabilize this fund with the development of a long-term fiscal plan to balance the Fund. While the Fund has a balanced budget for the next fiscal year (2010-11), it will take several years to negate the large deficit balance in this fund.
- The Airport Fund revenues decreased 4% and expenses were flat compared to the prior year. The annual operating loss is approximately equal to the annual depreciation expense, and as a result, cash in the Fund was unchanged although the Fund still required a temporary cash transfer at year end to negate its deficit cash position.

# Management's Discussion and Analysis

## GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the General Fund is presented as part of required supplementary information, on page 67 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 budget for the General Fund were insignificant. Total estimated revenues were decreased by approximately \$600,000. Within this change, the Sales and Use Taxes budget was reduced by approximately \$700,000, while the Property Taxes budget was increased by approximately \$300,000, Other Taxes budget was increased by approximately \$500,000 but the Intergovernmental revenues was decreased approximately \$400,000 and other General Fund revenues were decreased by approximately \$300,000. Total appropriation changes between the original budget and final budget for the General Fund increased by approximately \$500,000, with most of the increases occurring in Community Development.

Actual General Fund revenue received came within 1% of the final budget, while total expenditures were less than 1% of the final budget.

## 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, 2010 amounted to \$433,001,700 (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 3% and is slightly lower than prior year increases due to the State's take of Redevelopment Funds which reduced available funding for capital projects and due to the Water Pollution Control Plant Expansion Project winding down in fiscal 2009-10.

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

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2010	2009	2010	2009	2010	2009	
Land	\$ 33,545,293	\$ 32,968,613	\$ 2,154,341	\$ 2,154,341	\$ 35,699,634	\$ 35,122,954	2%
Buildings	11,917,069	12,419,389	10,174,760	10,773,339	22,091,829	23,192,728	-5%
Improvements	10,668,215	11,366,691	55,873,742	55,036,451	66,541,957	66,403,142	0%
Equipment	5,579,624	5,726,236	1,257,578	1,340,013	6,837,202	7,066,249	-3%
Infrastructure	215,739,896	220,735,839	-	-	215,739,896	220,735,839	-2%
Construction in progress	34,002,314	23,952,259	52,088,868	43,019,707	86,091,182	66,971,966	29%
Total	<u>\$ 311,452,411</u>	<u>\$ 307,169,027</u>	<u>\$ 121,549,289</u>	<u>\$ 112,323,851</u>	<u>\$ 433,001,700</u>	<u>\$ 419,492,878</u>	3%

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

- Construction in progress – Increase primarily represents construction of the Water Pollution Control Plant Expansion Project, Outfall Project and Nitrate Action Plan.

Additional information on the City's capital assets can be found in note II.C on pages 47 - 49 of this report.

In addition, the City has a variety of construction commitments at June 30, 2010. This information can be found in note III.C on page 58 of this report.

# Management's Discussion and Analysis

## Long-term liabilities

At June 30, 2010, the City had total long-term liabilities outstanding of \$194,331,474, net of unamortized premiums and discounts and deferred amounts on refunding, as compared to \$187,172,607 in the prior year. This amount was comprised of \$110,009,113 of revenue bonds (net of unamortized premiums and deferred amounts on refunding), \$66,435,491 of loans payable, \$4,186,414 of estimated compensated absences, \$12,140,456 of claims and settlement liability and \$1,560,000 of other post retirement benefits liability. Retirement of debt and other reductions amounted to \$10,164,391 and additions totaled \$17,323,257. Additions were mainly a result of additional loan proceeds from the State of California for the Water Pollution Control Plant Expansion Project, Outfall Project and Nitrate Action Plan.

Additional information on the City's long-term liabilities can be found in note II.D on pages 49 - 53 of this report.

## Economic Factors and Next Year's Budget

On July 6, 2010, the Chico City Council approved the Fiscal Year 2010-11 Final Budget. The budget provides for a total Operating Budget of \$88,968,903 and a Capital Improvement Budget of \$49,529,010. The City's General Fund is balanced with an Ending Fund Balance of \$565,052. The City of Chico's tax revenue has been severely impacted by the economic recession, with Sales Tax revenue projected to drop nearly 20% since 2007-08. The City has successfully reduced costs over the past two years in response to a structural deficit, which has positioned the City to withstand the first year of the economic recession. However, because the recession is continuing to effect tax revenues, the City is forced to make further expenditure reductions in order to balance its General Fund. In response to the declining economy, the City Manager has incorporated a number of budget reductions in the FY10-11 Final Budget. The reduction measures are categorized as noted in the table below:

\$4,223,210 Operational Reductions	+	\$430k Voluntary Position Reductions	+	\$2,078,285 Wage/Benefit Concessions	=	<b>\$6,731,494</b>
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### Operational Reductions

Of the \$4.2 million in savings projected, \$3.4 million is to be achieved in FY2010-11 through reductions in staffing (19 vacant positions), public safety overtime, reductions to Community Agency funding, operating budget cuts, and adjustments to inter-fund transfers.

### Voluntary Position Reductions

This reduction measure includes the CalPERS early retirement program offered to eligible employees. The \$430k represents the net General & Park Fund savings estimated for FY2010-11. The early retirements are effective October 1st, so the amount represents nine months of savings.

### Wage & Benefit Concessions

The City is proposing an "across-the-board" wage reduction of 5% for all employees. In addition, the City is proposing to change the cost-sharing percentage for Health Insurance from 75/25% to 60/40%, whereby the City's contribution decreases from 75% of the average premium to 60%. Both of these proposals require union negotiations, and if achieved, would become effective January 1, 2011.

## Requests for Information

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

**US Mail:** or **Phone:** or **Email:**  
City of Chico (530) 879-7300 [jhenness@ci.chico.ca.us](mailto:jhenness@ci.chico.ca.us)  
Finance Director  
P.O. Box 3420  
Chico, California 95927

***GOVERNMENT-WIDE FINANCIAL  
STATEMENTS***



**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 55,365,046	\$ 5,091,658	\$ 60,456,704
Restricted cash and investments	12,563,558	1,935,397	14,498,955
Receivables:			
Interest	3,156,260	-	3,156,260
Property taxes	634,463	-	634,463
Accounts	1,120,423	2,440,367	3,560,790
Intergovernmental	10,304,531	141,694	10,446,225
Loans	40,787,659	-	40,787,659
Internal balances	9,316,385	(9,316,385)	-
Land held for resale	1,355,000	-	1,355,000
Deposits with others	2,646,082	601,176	3,247,258
Unamortized issuance costs	1,969,923	-	1,969,923
Other assets	202,119	313	202,432
Capital assets:			
Nondepreciable	67,547,607	54,243,209	121,790,816
Depreciable, net	243,904,804	67,306,080	311,210,884
<b>Total assets</b>	<b>450,873,860</b>	<b>122,443,509</b>	<b>573,317,369</b>
<b>LIABILITIES</b>			
Accounts payable	5,573,952	1,157,348	6,731,300
Accrued salaries and benefits	1,669,108	166,042	1,835,150
Intergovernmental payable	6,430,642	-	6,430,642
Interest payable	2,118,540	186,225	2,304,765
Deposits	7,347	298,624	305,971
Unearned revenue	568,595	110,754	679,349
Long-term liabilities:			
Due within one year	8,015,751	812,522	8,828,273
Due in more than one year	171,932,564	13,570,637	185,503,201
<b>Total liabilities</b>	<b>196,316,499</b>	<b>16,302,152</b>	<b>212,618,651</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	216,288,337	107,632,683	323,921,020
Restricted for:			
Capital projects	15,689,053	1,935,397	17,624,450
Debt service	8,672,534	-	8,672,534
Housing	45,172,957	-	45,172,957
Redevelopment	7,800,632	-	7,800,632
Remediation	1,477,332	-	1,477,332
Maintenance Districts	1,876,769	-	1,876,769
Unrestricted	(42,420,253)	(3,426,723)	(45,846,976)
<b>Total net assets</b>	<b>\$ 254,557,361</b>	<b>\$ 106,141,357</b>	<b>\$ 360,698,718</b>

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

**CITY OF CHICO, CALIFORNIA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

				Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Direct Expenses	Indirect Expenses	Total Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS/PROGRAMS:</b>									
Governmental activities:									
General government	\$ 5,378,843	\$ (3,493,631)	\$ 1,885,212	\$ 170,533	\$ 64,808	\$ -	\$ (1,649,871)	\$ -	\$ (1,649,871)
Public safety	38,146,011	-	38,146,011	1,196,805	630,042	337,592	(35,981,572)	-	(35,981,572)
Public works	14,978,168	1,266,159	16,244,327	1,594,438	6,624,063	3,143,066	(4,882,760)	-	(4,882,760)
Parks and recreation	3,521,115	-	3,521,115	120,294	38,836	-	(3,361,985)	-	(3,361,985)
Community development	4,651,983	-	4,651,983	2,714,482	2,982,198	1,064,689	2,109,386	-	2,109,386
Community agencies	465,100	-	465,100	-	-	-	(465,100)	-	(465,100)
Redevelopment	24,425,172	500,137	24,925,309	35,784	1,328,723	-	(23,560,802)	-	(23,560,802)
Interest on long-term debt	7,036,135	-	7,036,135	-	-	-	(7,036,135)	-	(7,036,135)
<b>Total governmental activities</b>	<b>98,602,527</b>	<b>(1,727,335)</b>	<b>96,875,192</b>	<b>5,832,336</b>	<b>11,668,670</b>	<b>4,545,347</b>	<b>(74,828,839)</b>	<b>-</b>	<b>(74,828,839)</b>
Business-type activities:									
Sewer	8,243,561	571,155	8,814,716	8,586,639	-	1,216,397	-	988,320	988,320
Parking	692,905	119,612	812,517	995,880	-	-	-	183,363	183,363
Private development	3,165,047	931,491	4,096,538	1,766,049	-	-	-	(2,330,489)	(2,330,489)
Airport	1,346,928	105,077	1,452,005	581,614	-	129,027	-	(741,364)	(741,364)
<b>Total business-type activities</b>	<b>13,448,441</b>	<b>1,727,335</b>	<b>15,175,776</b>	<b>11,930,182</b>	<b>-</b>	<b>1,345,424</b>	<b>-</b>	<b>(1,900,170)</b>	<b>(1,900,170)</b>
<b>Total primary government</b>	<b>\$ 112,050,968</b>	<b>\$ -</b>	<b>\$ 112,050,968</b>	<b>\$ 17,762,518</b>	<b>\$ 11,668,670</b>	<b>\$ 5,890,771</b>	<b>(74,828,839)</b>	<b>(1,900,170)</b>	<b>(76,729,009)</b>
General revenues:									
Taxes:									
Property taxes							43,294,556	-	43,294,556
Sales and use tax							11,081,524	-	11,081,524
Sales tax in-lieu							3,708,378	-	3,708,378
Utility users tax							6,690,785	-	6,690,785
Other taxes							3,676,384	-	3,676,384
Grants and contributions not restricted to specific programs							715,742	-	715,742
Unrestricted investment earnings							335,606	(15,589)	320,017
Miscellaneous							154,517	-	154,517
Loss on disposal of capital assets							(123,430)	-	(123,430)
Transfers							(9,199,033)	9,062,258	(136,775)
<b>Total general revenues and transfers</b>							<b>60,335,029</b>	<b>9,046,669</b>	<b>69,381,698</b>
Change in net assets							(14,493,810)	7,146,499	(7,347,311)
Net assets, beginning of year							269,051,171	98,994,858	368,046,029
<b>Net assets, end of year</b>							<b>\$ 254,557,361</b>	<b>\$ 106,141,357</b>	<b>\$ 360,698,718</b>

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

## ***FUND FINANCIAL STATEMENTS***



## FUND FINANCIAL STATEMENTS

### **Governmental Fund Types**

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

Major Governmental Funds include:

- **General**  
The City's primary operating fund. Accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Housing**  
Accounts for the Community Development Block Grant (CDBG) annual federal grant program and the State and Federal HOME grant programs. The CDBG program provides for development of viable urban community by providing a suitable living environment and expansion of economic opportunities, principally for low and moderate income residents. The HOME program provides for the development of affordable housing and mortgage subsidy programs and housing rehabilitation to benefit low income households.
- **Public Facilities Impact Fees**  
Accounts for the collection of and expenditure of fees imposed as a condition of new development within the City. Impact fees have been established for each of the following types of public facilities:
  - Bikeway improvement
  - Street facility improvement
  - Street maintenance equipment
  - Storm drainage facility
  - Sewer trunk line capacity
  - Water Pollution Control Plant capacity
  - Sewer lift stations
  - Community parks
  - Neighborhood parks
  - Bidwell Park land acquisition
  - Linear parks and greenways
  - Administrative building
  - Fire protection building and equipment
  - Police protection building and equipment
- **Capital Grants**  
Accounts for receipts and disbursements of a variety of governmental fund capital grants.
- **Redevelopment Agency**  
The Redevelopment Agency Special Revenue Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low and moderate income residents; 2) the accumulation of property taxes for payment of interest and principal on the Agency's tax allocation bonds; 3) capital projects funded by the Agency's tax allocation bonds.

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

### **Proprietary Fund Types**

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

Major proprietary funds include:

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

### **Fiduciary Fund Type**

The only fiduciary fund is the:

- **Agency Fund**  
Accounts for assets held in an agency capacity for parties outside the City. The resources of this fund cannot be used to support the City's own programs.

**CITY OF CHICO, CALIFORNIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 3,746,641	\$ -	\$ 5,517,315	\$ 233	\$ 33,343,901	\$ 11,612,561	\$ 54,220,651
Petty cash change funds	1,280	-	-	-	-	-	1,280
Receivables:							
Interest	79,026	482,919	-	-	2,586,244	8,071	3,156,260
Property taxes	536,423	-	-	-	98,040	-	634,463
Accounts	1,031,011	-	27,267	-	18,000	44,107	1,120,385
Intergovernmental	3,539,998	1,137,895	29,280	3,505,807	61	2,041,867	10,254,908
Loans	-	5,481,949	181,027	-	34,475,376	649,307	40,787,659
Due from other funds	-	-	-	-	-	2,829,845	2,829,845
Deposits with others	-	-	1,769,015	-	123,763	753,304	2,646,082
Prepaid items	5,178	-	-	-	-	-	5,178
Advances to other funds	-	-	-	-	-	2,802,141	2,802,141
Restricted assets:							
Cash and investments	-	-	-	-	10,744,183	1,729,375	12,473,558
Land held for resale	-	-	-	-	1,355,000	-	1,355,000
Total assets	<u>\$ 8,939,557</u>	<u>\$ 7,102,763</u>	<u>\$ 7,523,904</u>	<u>\$ 3,506,040</u>	<u>\$ 82,744,568</u>	<u>\$ 22,470,578</u>	<u>\$ 132,287,410</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 526,344	\$ 70,954	\$ 2,479,376	\$ 136,223	\$ 1,712,878	\$ 316,846	\$ 5,242,621
Accrued salaries and benefits	1,384,185	8,991	1,833	-	46,215	112,870	1,554,094
Deposits	7,347	-	-	-	-	-	7,347
Intergovernmental payable	17,575	11,682	-	55,680	6,308,352	28,407	6,421,696
Due to other funds	-	965,157	-	2,795,161	-	34,684	3,795,002
Deferred revenue	82,486	1,620,814	-	1,753,930	2,832,282	129,034	6,418,546
Other accrued liabilities	23,625	-	-	-	-	-	23,625
Total liabilities	<u>2,041,562</u>	<u>2,677,598</u>	<u>2,481,209</u>	<u>4,740,994</u>	<u>10,899,727</u>	<u>621,841</u>	<u>23,462,931</u>
Fund balances (deficit):							
Reserved for:							
Encumbrances	137,755	126,899	725,107	482,387	7,946,823	144,577	9,563,548
Deposits with others	-	-	1,769,015	-	123,763	753,304	2,646,082
Prepaid items	5,178	-	-	-	-	-	5,178
Debt service	-	-	-	-	6,943,159	1,729,375	8,672,534
Loans receivable	-	5,481,949	181,027	-	34,475,376	649,307	40,787,659
Advances to other funds	-	-	-	-	-	2,802,141	2,802,141
Assets held for resale	-	-	-	-	1,355,000	-	1,355,000
Unreserved reported in:							
General Fund:							
Designated for emergencies	6,755,062	-	-	-	-	-	6,755,062
Special revenue funds:							
Designated for capital projects	-	-	-	-	3,801,024	-	3,801,024
Designated for major maintenance	-	-	-	-	-	1,421,415	1,421,415
Designated for remediation	-	-	-	-	1,477,332	-	1,477,332
Undesignated	-	(1,183,683)	-	-	-	2,802,381	1,618,698
Capital projects funds:							
Designated for debt service	-	-	2,367,546	-	-	-	2,367,546
Undesignated	-	-	-	(1,717,341)	15,722,364	11,546,237	25,551,260
Total fund balances (deficit)	<u>6,897,995</u>	<u>4,425,165</u>	<u>5,042,695</u>	<u>(1,234,954)</u>	<u>71,844,841</u>	<u>21,848,737</u>	<u>108,824,479</u>
Total liabilities and fund balances (deficit)	<u>\$ 8,939,557</u>	<u>\$ 7,102,763</u>	<u>\$ 7,523,904</u>	<u>\$ 3,506,040</u>	<u>\$ 82,744,568</u>	<u>\$ 22,470,578</u>	<u>\$ 132,287,410</u>

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

**CITY OF CHICO, CALIFORNIA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2010**

Total fund balances (deficit) - total governmental funds (page 21)		\$ 108,824,479
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.		311,348,671
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		5,849,951
Internal service funds are used by management to charge the costs of activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		2,574,794
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term obligations	\$ (162,558,885)	
Settlements	(6,357,000)	
Other post employment benefits	(1,560,000)	
Compensated absences	(3,446,919)	
Accrued interest payable	(2,118,540)	
Premium on bond issuance	(813,621)	
Deferred charges on bond refunding	844,508	
Bond issuance costs	1,969,923	(174,040,534)
Net assets of governmental activities (page 15)		\$ 254,557,361

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**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 11,565,883	\$ -	\$ -	\$ -	\$ 31,728,673	\$ -	\$ 43,294,556
Sales and use taxes	14,789,902	-	-	-	-	-	14,789,902
Other taxes	10,256,217	-	-	-	-	-	10,256,217
Licenses and permits	108,204	-	-	-	-	-	108,204
Intergovernmental	1,457,856	2,230,084	1,000,000	2,954,655	-	6,809,569	14,452,164
Charges for services	249,709	-	2,598,573	-	20,038	1,431,991	4,300,311
Fines, forfeitures, and penalties	618,169	-	-	-	-	198,829	816,998
Use of money and property	211,387	23,677	36,448	-	693,571	233,892	1,198,975
Miscellaneous	248,801	-	-	43,655	15,801	108	308,365
<b>Total revenues</b>	<b>39,506,128</b>	<b>2,253,761</b>	<b>3,635,021</b>	<b>2,998,310</b>	<b>32,458,083</b>	<b>8,674,389</b>	<b>89,525,692</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	1,331,420	-	-	102,840	-	333,574	1,767,834
Public safety	36,383,620	-	-	-	-	541,827	36,925,447
Public works	3,622,783	-	-	138,898	-	4,136,751	7,898,432
Parks and recreation	2,892,683	-	-	193,318	-	-	3,086,001
Community development	775,469	1,354,094	1,224,386	-	1,296,691	-	4,650,640
Community agencies	467,050	-	-	-	-	-	467,050
Redevelopment	-	-	-	-	15,804,561	-	15,804,561
Contribution to other governments	-	-	-	-	9,248,048	-	9,248,048
Capital outlay	-	-	11,158,455	844,066	3,656,954	6,108,361	21,767,836
<b>Debt service:</b>							
Principal retirement	-	-	1,271,587	-	1,895,000	1,075,000	4,241,587
Interest and fiscal charges	-	-	458,685	-	4,113,178	1,222,293	5,794,156
<b>Total expenditures</b>	<b>45,473,025</b>	<b>1,354,094</b>	<b>14,113,113</b>	<b>1,279,122</b>	<b>36,014,432</b>	<b>13,417,806</b>	<b>111,651,592</b>
Excess (deficiency) of revenues over (under) expenditures	(5,966,897)	899,667	(10,478,092)	1,719,188	(3,556,349)	(4,743,417)	(22,125,900)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	4,300,135	-	-	-	-	5,113,104	9,413,239
Transfers out	(1,026,283)	-	(28,766)	-	(4,108,912)	(4,200,135)	(9,364,096)
Proceeds of long-term debt	-	-	6,743,701	-	-	2,345,047	9,088,748
<b>Total other financing sources (uses)</b>	<b>3,273,852</b>	<b>-</b>	<b>6,714,935</b>	<b>-</b>	<b>(4,108,912)</b>	<b>3,258,016</b>	<b>9,137,891</b>
<b>Net change in fund balances</b>	<b>(2,693,045)</b>	<b>899,667</b>	<b>(3,763,157)</b>	<b>1,719,188</b>	<b>(7,665,261)</b>	<b>(1,485,401)</b>	<b>(12,988,009)</b>
Fund balances (deficit), beginning of year	9,591,040	3,525,498	8,805,852	(2,954,142)	79,510,102	23,334,138	121,812,488
<b>Fund balances (deficit), end of year</b>	<b>\$ 6,897,995</b>	<b>\$ 4,425,165</b>	<b>\$ 5,042,695</b>	<b>\$ (1,234,954)</b>	<b>\$ 71,844,841</b>	<b>\$ 21,848,737</b>	<b>\$ 108,824,479</b>

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

**CITY OF CHICO, CALIFORNIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds (page 23) \$ (12,988,009)

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	\$ 21,767,836	
Depreciation expense	<u>(9,643,648)</u>	12,124,188

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		(9,353,106)
Capital contributions		1,637,225

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

Deferred revenue		70,633
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Long-term debt issued	(9,088,748)	
Principal retirement	4,241,587	
Settlements	393,000	
Amortization of debt premium	36,983	
Amortization of bond issuance costs	(110,583)	
Amortization of deferred refunding charges	<u>(56,300)</u>	(4,584,061)

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.

Change in interest payable	(338,403)	
Change in loans payable - interest added to loan	(773,676)	
Change in compensated absences	(38,198)	
Change in other post employment benefits	<u>(781,000)</u>	(1,931,277)

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.

530,597

Change in net assets of governmental activities (page 16) \$ (14,493,810)

**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 4,632,277	\$ 459,381	\$ -	\$ -	\$ 5,091,658	\$ 1,143,115
Receivables:						
Accounts	2,298,289	204	141,874	-	2,440,367	38
Intergovernmental	-	10,458	-	131,236	141,694	49,623
Due from other funds	-	-	-	-	-	1,508,919
Inventories	-	-	-	-	-	45,696
Deposits with others	601,176	-	-	-	601,176	-
Other assets	-	313	-	-	313	151,245
Total current assets	<u>7,531,742</u>	<u>470,356</u>	<u>141,874</u>	<u>131,236</u>	<u>8,275,208</u>	<u>2,898,636</u>
Noncurrent assets:						
Restricted cash and investments	1,935,397	-	-	-	1,935,397	90,000
Advances to other funds	-	-	-	-	-	6,000,000
Land and construction in progress	51,979,016	1,239,403	-	1,024,790	54,243,209	30,391
Other capital assets, net of accumulated depreciation	49,889,753	2,655,502	71,304	14,689,521	67,306,080	73,349
Total noncurrent assets	<u>103,804,166</u>	<u>3,894,905</u>	<u>71,304</u>	<u>15,714,311</u>	<u>123,484,686</u>	<u>6,193,740</u>
Total assets	<u>111,335,908</u>	<u>4,365,261</u>	<u>213,178</u>	<u>15,845,547</u>	<u>131,759,894</u>	<u>9,092,376</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	945,479	6,191	57,565	148,113	1,157,348	307,706
Accrued salaries and benefits	86,953	10,906	63,416	4,767	166,042	115,014
Intergovernmental payable	-	-	-	-	-	8,946
Due to other funds	-	-	-	514,244	514,244	29,518
Interest payable	186,225	-	-	-	186,225	-
Deposits	-	-	298,624	-	298,624	-
Compensated absences - current portion	21,086	706	19,934	-	41,726	24,411
Claims liability - current portion	-	-	-	-	-	1,925,897
Long-term debt - current portion	770,796	-	-	-	770,796	-
Deferred revenue	-	-	110,754	-	110,754	-
Total current liabilities	<u>2,010,539</u>	<u>17,803</u>	<u>550,293</u>	<u>667,124</u>	<u>3,245,759</u>	<u>2,411,492</u>
Noncurrent liabilities:						
Long-term debt:						
Loan payable	13,145,810	-	-	-	13,145,810	-
Advances from other funds	-	-	8,802,141	-	8,802,141	-
Compensated absences	214,682	7,189	202,956	-	424,827	248,531
Claims liability	-	-	-	-	-	3,857,559
Total noncurrent liabilities	<u>13,360,492</u>	<u>7,189</u>	<u>9,005,097</u>	<u>-</u>	<u>22,372,778</u>	<u>4,106,090</u>
Total liabilities	<u>15,371,031</u>	<u>24,992</u>	<u>9,555,390</u>	<u>667,124</u>	<u>25,618,537</u>	<u>6,517,582</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	87,952,163	3,894,905	71,304	15,714,311	107,632,683	103,740
Restricted for capital projects	1,935,397	-	-	-	1,935,397	-
Unrestricted	6,077,317	445,364	(9,413,516)	(535,888)	(3,426,723)	2,471,054
Total net assets (deficit)	<u>\$ 95,964,877</u>	<u>\$ 4,340,269</u>	<u>\$ (9,342,212)</u>	<u>\$ 15,178,423</u>	<u>\$ 106,141,357</u>	<u>\$ 2,574,794</u>

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

**CITY OF CHICO, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 8,511,701	\$ 995,880	\$ 1,058,099	\$ 86,258	\$ 10,651,938	\$ 8,692,446
Licenses and permits	-	-	707,950	-	707,950	-
Rental charges	73,938	-	-	449,617	523,555	-
Total operating revenues	<u>8,585,639</u>	<u>995,880</u>	<u>1,766,049</u>	<u>535,875</u>	<u>11,883,443</u>	<u>8,692,446</u>
<b>OPERATING EXPENSES:</b>						
Salaries and benefits	2,825,766	353,373	2,252,376	321,276	5,752,791	3,685,216
Materials and supplies	1,050,144	29,003	38,756	92,119	1,210,022	1,481,110
Purchased services	340,500	55,071	60,817	60,242	516,630	1,708,067
Other expenses	1,474,915	206,491	1,732,184	172,427	3,586,017	1,272,977
Depreciation	2,713,890	161,632	12,405	805,941	3,693,868	93,244
Total operating expenses	<u>8,405,215</u>	<u>805,570</u>	<u>4,096,538</u>	<u>1,452,005</u>	<u>14,759,328</u>	<u>8,240,614</u>
Operating income (loss)	<u>180,424</u>	<u>190,310</u>	<u>(2,330,489)</u>	<u>(916,130)</u>	<u>(2,875,885)</u>	<u>451,832</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Intergovernmental	1,000,000	-	-	129,027	1,129,027	-
Investment earnings	26,879	1,935	(41,679)	(2,724)	(15,589)	42,458
Interest expense	(409,501)	(6,947)	-	-	(416,448)	-
Miscellaneous	1,000	-	-	45,739	46,739	116,714
Total nonoperating revenues (expenses)	<u>618,378</u>	<u>(5,012)</u>	<u>(41,679)</u>	<u>172,042</u>	<u>743,729</u>	<u>159,172</u>
Income (loss) before contributions and transfers	798,802	185,298	(2,372,168)	(744,088)	(2,132,156)	611,004
Capital contributions	9,391,076	-	-	54,997	9,446,073	-
Transfers in	-	-	596,297	-	596,297	-
Transfers out	(540,465)	(38,408)	(124,350)	(60,492)	(763,715)	(48,728)
Change in net assets	<u>9,649,413</u>	<u>146,890</u>	<u>(1,900,221)</u>	<u>(749,583)</u>	<u>7,146,499</u>	<u>562,276</u>
Net assets (deficit), beginning of year	86,315,464	4,193,379	(7,441,991)	15,928,006	98,994,858	2,012,518
Net assets (deficit), end of year	<u>\$ 95,964,877</u>	<u>\$ 4,340,269</u>	<u>\$ (9,342,212)</u>	<u>\$ 15,178,423</u>	<u>\$ 106,141,357</u>	<u>\$ 2,574,794</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  
YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users	\$ 7,690,593	\$ 998,133	\$ 1,828,556	\$ 586,293	\$ 11,103,575	\$ -
Receipts from interfund services provided					-	8,865,100
Payments to suppliers and claimants	(2,359,958)	(102,140)	(381,706)	(26,589)	(2,870,393)	(4,655,885)
Payments to employees	(2,802,429)	(346,120)	(2,253,558)	(321,436)	(5,723,543)	(3,627,747)
Payments for interfund services used	(1,007,237)	(193,034)	(1,493,576)	(159,111)	(2,852,958)	-
Net cash provided (used) by operating activities	<u>1,520,969</u>	<u>356,839</u>	<u>(2,300,284)</u>	<u>79,157</u>	<u>(343,319)</u>	<u>581,468</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Interfund borrowings	-	(54,423)	1,870,016	112,256	1,927,849	(2,013,335)
Transfers in	-	-	596,297	-	596,297	-
Transfers out	(540,465)	(38,408)	(124,350)	(60,492)	(763,715)	(48,728)
Intergovernmental receipts	1,000,000	-	-	87	1,000,087	-
Net cash provided (used) by noncapital financing activities	<u>459,535</u>	<u>(92,831)</u>	<u>2,341,963</u>	<u>51,851</u>	<u>2,760,518</u>	<u>(2,062,063)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(3,344,949)	-	-	(128,284)	(3,473,233)	-
Proceeds from long-term debt	2,498,202	-	-	-	2,498,202	-
Principal paid on long-term debt	(401,554)	(1,029,758)	-	-	(1,431,312)	-
Interest paid	(144,847)	(33,427)	(41,679)	(2,724)	(222,677)	-
Net cash used by capital and related financing activities	<u>(1,393,148)</u>	<u>(1,063,185)</u>	<u>(41,679)</u>	<u>(131,008)</u>	<u>(2,629,020)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest received	26,879	1,935	-	-	28,814	42,458
Net increase (decrease) in cash and cash equivalents	614,235	(797,242)	-	-	(183,007)	(1,438,137)
CASH AND INVESTMENTS, beginning of year	<u>5,953,439</u>	<u>1,256,623</u>	<u>-</u>	<u>-</u>	<u>7,210,062</u>	<u>2,671,252</u>
CASH AND INVESTMENTS, end of year	<u>\$ 6,567,674</u>	<u>\$ 459,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,027,055</u>	<u>\$ 1,233,115</u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS:</b>						
Cash and investments	\$ 4,632,277	\$ 459,381	\$ -	\$ -	\$ 5,091,658	\$ 1,143,115
Restricted cash and investments	1,935,397	-	-	-	1,935,397	90,000
CASH AND INVESTMENTS, end of year	<u>\$ 6,567,674</u>	<u>\$ 459,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,027,055</u>	<u>\$ 1,233,115</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, 2010**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 180,424	\$ 190,310	\$ (2,330,489)	\$ (916,130)	\$ (2,875,885)	\$ 451,832
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,713,890	161,632	12,405	805,941	3,693,868	93,244
Miscellaneous revenues	1,000	-	-	45,739	46,739	116,714
Change in assets and liabilities:						
Accounts receivable	(896,046)	(51)	63,821	4,679	(827,597)	82
Intergovernmental receivables	-	2,304	-	-	2,304	55,858
Inventories	-	-	-	-	-	4,778
Deposits	(601,176)	-	-	-	(601,176)	-
Other assets	392,114	(127)	-	1,710	393,697	17,217
Accounts payable	(281,181)	(4,482)	(22,294)	137,378	(170,579)	(28,157)
Accrued salaries and benefits	22,555	7,241	(1,291)	(160)	28,345	51,571
Intergovernmental payable	(11,393)	-	(21,231)	-	(32,624)	(27,563)
Compensated absences	782	12	109	-	903	5,898
Deferred revenue	-	-	7,526	-	7,526	-
Deposits	-	-	(8,840)	-	(8,840)	-
Claims liability	-	-	-	-	-	(160,006)
Total adjustments	1,340,545	166,529	30,205	995,287	2,532,566	129,636
Net cash provided (used) by operating activities	<u>\$ 1,520,969</u>	<u>\$ 356,839</u>	<u>\$ (2,300,284)</u>	<u>\$ 79,157</u>	<u>\$ (343,319)</u>	<u>\$ 581,468</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>						
Transfer of capital assets from Governmental funds	<u>\$ 9,391,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,997</u>	<u>\$ 9,446,073</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, 2010**

**ASSETS**

Restricted cash and investments	\$ 797,471
Receivables:	
Property taxes	189
Loans	<u>99,316</u>
Total assets	<u><u>\$ 896,976</u></u>

**LIABILITIES**

Special assessment deposits	<u>\$ 896,976</u>
Total liabilities	<u><u>\$ 896,976</u></u>

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



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



**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. THE FINANCIAL REPORTING ENTITY**

The City of Chico, California (City) was incorporated on February 5, 1872 under the laws of the State of California. The City is a charter city and is governed by a seven member City Council. The City provides a full range of services including police and fire protection; sanitation; parking and transportation services; the construction and maintenance of highways, streets and infrastructure; and recreational activities and cultural events. The City's reporting entity includes all of the funds of the City, as well as its component units. Component units are legally separate entities for which the City is financially accountable.

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

Chico Public Financing Authority

In order to facilitate the financing of public improvements, as well as other facilities and improvements which can be funded through the issuance of tax exempt bonds, the City Council and the governing board of the Chico Redevelopment Agency established a joint powers agency, known as the Chico Public Financing Authority (CPFA), pursuant to the provisions of the joint powers laws of the State of California, as set forth in Article 1, Chapter 5, Division 7, Title 1, of the California Government Code (commencing with Government Code Section 6500). The CPFA is authorized, among other things, to issue bonds pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, as set forth in Article 4, Chapter 5, Division 7, Title 1, of the California Government Code (commencing with Government Code Section 6584) for the purpose of financing facilities and improvements. The financing activity of the CPFA is included in the City's financial statements as a non-major debt service fund.

Chico Parking Authority

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

Chico Redevelopment Agency

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

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**A. THE FINANCIAL REPORTING ENTITY (Continued)**

Chico Urban Area Joint Powers Financing Authority

In August 2005, the governing boards of the Chico Redevelopment Agency and the County of Butte established a joint powers agency known as the Chico Urban Area Joint Powers Financing Authority (JPFA) to facilitate the financing, construction and installation of sewer facilities and improvements in the greater Chico area. The JPFA was formed pursuant to the provisions of the joint powers laws of the State of California, as set forth in Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Government Code Section 6500). The JPFA is authorized to obtain state or federal loans for the purpose of financing the construction and installation of sewer facilities and improvements. The financial activity of the JPFA is included in the City's financial statements as a non-major capital projects fund.

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS (Continued)**

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

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 the development of a viable urban community by providing a suitable living environment and expansion of economic opportunities, principally for low and moderate income residents. The HOME program provides for the development of affordable housing and mortgage subsidy programs and housing rehabilitation to benefit low-income households.

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

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

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

The **Redevelopment Agency Special Revenue Fund** accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low and moderate income residents; 2) the accumulation of property taxes for payment of interest and principal on the Agency's tax allocation bonds; 3) capital projects funded by the Agency's tax allocation bonds.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS (Continued)**

The City reports the following major proprietary funds:

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

The **Parking Enterprise Fund** accounts for parking facilities operations and improvements and debt service on the 1994 Parking Revenue Bonds issued to finance the downtown parking structure.

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

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

Additionally, the City reports the following fund types:

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

The **Agency Fund** accounts for assets held by the City as an agent for bonded assessment districts. 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.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS (Continued)**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Cash and Investments

Cash and investments (including restricted assets) held in the City's investment pool are reported as cash and cash equivalents in the statements of cash flows of the proprietary fund types. All investments with fiscal agents are also considered cash equivalents because they are highly liquid and have maturities of three months or less at the time of purchase.

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

Restricted Cash and Investments

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

Receivables and Payables

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

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

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

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

The City records its receivables as follows:

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

Grant and entitlement revenues are recorded as receivables in the funds when they are susceptible to accrual (i.e., when all eligibility requirements have been met). The corresponding governmental fund revenues are recorded when they become 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, 2010 is \$10,446,225.

Inventories

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

Assets Held for Resale

Assets held for resale are carried at the lower of cost or market, but not greater than the net realizable value. In the Fund Financial Statements, an amount equal to the carrying value of the asset is reserved in fund balance because such assets are not available to finance the City's current operations.

Capital Assets

Capital assets, which include land, easements, buildings, improvements, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as equipment with an initial individual cost of more than \$20,000 and all other capital assets with an initial individual cost of more than \$100,000 and an estimated useful life in excess of one year. In addition, the City capitalizes all capital assets with an individual cost of \$5,000 for all assets acquired with

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

federal funds. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at 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, 2010.

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

Buildings	30-40 years
Improvements other than buildings	25-50 years
Equipment, furniture and vehicles	3-30 years
Roadways	50 years
Bridges	30-50 years
Drainage	50 years

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

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and compensatory time. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured. For example, a governmental liability would be recorded at the end of the financial reporting period for compensated absences earned and payable for employees separating from the City at fiscal year-end. In the past, the General Fund, the Redevelopment Agency and Capital Improvements Capital Projects Funds have been used to liquidate compensated absences.

Long-Term Debt

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

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent current Council policies that may be subject to change. Fund reservations and designations used by the City are as follows:

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 debt service – The total fund balances of the debt service funds are reserved for future debt service requirements.
4. 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.
5. Reserve for assets held for resale – Amount represents portion of fund balance reserved as assets held for resale are not available for appropriation.
6. Designated for emergencies – Amount represents funding for unanticipated expenses or revenue deficits from fluctuations in sales tax, changes in state laws, draws through employee attrition on the City's vacation payment obligations, or other catastrophic events.
7. Designated for capital projects – Amounts represents funding for future capital projects.
8. Designated for major maintenance – Amounts designated for future replacement of maintenance district facilities.
9. Designated for remediation – Amounts represent funding for annual monitoring expenditures associated with the clean-up of the Humboldt Road Burn Dump.
10. Designated for debt service – Amounts designated for future debt service payments for the State Revolving Fund loans.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Net Assets

Net assets are classified in the following categories:

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

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

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

**E. OTHER SIGNIFICANT ACCOUNTING POLICIES**

Budgetary Data

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

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

The Redevelopment Agency Fund and the Housing Fund budget the following items on a cash basis:

1. Loans made for housing and other purposes are budgeted as expenditures but reported as receivables.
2. Loan payments received for housing and other purposes are budgeted as revenue but reported as reductions to receivables.
3. Purchases of land held for resale are budgeted as expenditures but recorded as assets.

Budgetary comparisons and reconciliations are included in Required Supplementary Information as Schedules of Revenue and Changes in Fund Balance – Budget and Actual, for the General Fund, Housing Fund, and the Redevelopment Agency Fund. In addition, budgetary comparisons and reconciliations are included in the Supplemental Budgetary Comparisons section as Schedules of Revenue and Changes in Fund Balance – Budget and Actual, for the Public Facilities Impact Fees Fund and Capital Grants Fund. Annual budgets are adopted on a basis consistent with generally accepted accounting principles except as discussed in the budgetary basis adjustments.

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

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

**E. OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**F. IMPLEMENTATION OF NEW PRONOUNCEMENTS**

GASB Statement 51

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," which became effective July 1, 2009, establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The City has implemented this Statement as required.

GASB Statement 54

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which will become effective July 1, 2010, establishes accounting and financial reporting requirements which will result in changes to fund balance classifications, including restricted, committed, assigned and unassigned based on the constraints of the funds. The City is currently analyzing the impact of the implementation of this Statement.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES**

**A. CASH AND INVESTMENTS**

At June 30, 2010, the City's cash and investments at fair value were as follows:

	<u>Government-wide Statement of Net Assets</u>		
	<u>Primary Government</u>	<u>Fiduciary Fund Statement of Net Assets</u>	<u>Total</u>
Cash and investments	\$ 60,456,705	\$ -	\$ 60,456,705
Restricted cash and investments	<u>14,498,954</u>	<u>797,471</u>	<u>15,296,425</u>
Total cash and investments	<u>\$ 74,955,659</u>	<u>\$ 797,471</u>	<u>\$ 75,753,130</u>

At June 30, 2010, the City's cash and investments consist of the following:

Cash in bank and petty cash	\$ 2,754,167
Investments	73,423,279
Outstanding checks and other reconciling items	<u>(424,316)</u>
Total cash and investments	<u>\$ 75,753,130</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.

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

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES (Continued)**

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

Investments Authorized by Debt Agreements

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

Custodial Credit Risk

The custodial credit risk for deposits is the risk that the City will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that the City's bank deposits are insured by Federal Depository Insurance Corporation (FDIC). The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As of June 30, 2010, the City's balance in financial institutions was \$2,752,887. Of that amount, \$250,000 was covered by FDIC insurance, and \$2,502,887 was covered by collateral held in the pledging bank's trust department. The custodian of the investments is not the counterparty for the investments held for the City and hence these investments are not exposed to custodial credit risk.

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FSA Capital Management	Guaranteed Investment Contract	\$ 8,455,840

Interest Rate and Credit Risk

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

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**II. DETAILED NOTES (Continued)**

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

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, 2010, 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		-	-	-	-	\$ 2,754,167
Investments held by fiscal agents:						
Deposits		-	-	-	-	90,000
Money Market Mutual Funds	AAA/Aaa	\$ 4,017,718	-	-	-	4,017,718
Guaranteed Investment Contract	AAA/Aa3	-	-	-	\$ 8,455,840	8,455,840
Total investments held by fiscal agents						12,563,558
Investments held in City treasury:						
Local Agency Investment Fund	Not Rated	\$ 50,442,704	-	-	-	50,442,704
Money Market Mutual Funds	AAA/Aaa	\$ 2,422,642	-	-	-	2,422,642
Federal Home Loan Bank	AAA/Aaa	-	-	\$ 2,500,000	-	2,500,000
Federal Home Loan Mortgage Corp.	AAA/Aaa	-	-	\$ 1,500,000	-	1,500,000
Federal National Mortgage Assn	AAA/Aaa	-	-	\$ 2,994,375	-	2,994,375
Federal Farm Credit Bank	AAa	-	-	\$ 1,000,000	-	1,000,000
Total investments held in City treasury						60,859,721
Less outstanding checks and reconciling items						(424,316)
Total cash and investments						\$ 75,753,130

**Investment in State Investment Pool**

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

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**II. DETAILED NOTES (Continued)**

**B. RECEIVABLES AND DEFERRED REVENUE**

RECEIVABLES:

The following summarizes the City’s governmental activities receivables as of June 30, 2010:

RECEIVABLES	Interest	Property Taxes	Accounts	Intergovernmental	Loans	Total
Governmental activities:						
General Fund	\$ 79,026	\$ 536,423	\$ 1,031,011	\$ 3,539,998	\$ -	\$ 5,186,458
Housing Fund	482,919	-	-	1,137,895	5,481,949	7,102,763
Public Facilities Fund	-	-	27,267	29,280	181,027	237,574
Capital Grants Fund	-	-	-	3,505,807	-	3,505,807
Redevelopment Agency Fund	2,586,244	98,040	18,000	61	34,475,376	37,177,721
Other Nonmajor Governmental Funds	8,071	-	44,107	2,041,867	649,307	2,743,352
Internal Service Funds	-	-	38	49,623	-	49,661
Total governmental activities	<u>\$ 3,156,260</u>	<u>\$ 634,463</u>	<u>\$ 1,120,423</u>	<u>\$ 10,304,531</u>	<u>\$ 40,787,659</u>	<u>\$ 56,003,336</u>

The loans receivable in the Housing Fund and Redevelopment Agency Fund of \$5,481,949 and \$34,475,376, respectively, consist of loans made for low and moderate income housing rehabilitation, property improvement and small business origination. The loans are collateralized by deeds of trust on the improved properties and bear annual interest at 0.0 - 7.5 percent. The City considers these loans to be collectible, although they are deemed to be long term loans and a Reserve for the entire amounts has been recorded in each Fund. The City has not recorded a provision for uncollectibles as management considers all receivables to be collectible. Receivables of \$5,936,195, \$181,027 and \$37,040,075, respectively, reported in the Housing Fund, Public Facilities Fund and Redevelopment Agency Fund are not expected to be collected within one year.

The loans receivable in the Nonmajor Governmental Funds of \$649,307 consist of other secured loans and loans made for employee computer purchases. The City considers these loans to be collectible, although they are deemed to be long term loans and a Reserve for the entire amount has been recorded in the Fund. Receivables of \$544,499 reported in the Nonmajor Governmental Funds are not expected to be collected within one year.

DEFERRED REVENUE:

The following summarizes deferred revenue as of June 30, 2010:

Governmental activities:	Unearned	Unavailable	Total
General Fund	\$ 49,129	\$ 33,357	\$ 82,486
Housing Fund	-	1,620,814	1,620,814
Capital Grants Fund	519,466	1,234,464	1,753,930
Redevelopment Agency Fund	-	2,832,282	2,832,282
Other Nonmajor Governmental Funds	-	129,034	129,034
Total governmental activities	<u>\$ 568,595</u>	<u>\$ 5,849,951</u>	<u>\$ 6,418,546</u>

Unearned revenues arise when resources are received by the City before it has legal claim to the resources (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). Deferred revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Revenue deferred because the monies were not received within the availability period is recognized as revenue in the government-wide presentation.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**II. DETAILED NOTES (Continued)**

**C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 32,968,613	\$ 797,680	\$ (221,000)	\$ -	\$ 33,545,293
Construction in progress	23,952,259	10,853,841	-	(803,786)	34,002,314
Total capital assets, not being depreciated	<u>56,920,872</u>	<u>11,651,521</u>	<u>(221,000)</u>	<u>(803,786)</u>	<u>67,547,607</u>
Capital assets being depreciated:					
Buildings	20,188,567	-	-	-	20,188,567
Improvements other than buildings	19,068,048	-	(360,613)	-	18,707,435
Equipment, furniture and vehicles	14,112,298	717,872	(666,330)	136,775	14,300,615
Infrastructure:					
Roadway	228,403,274	1,327,522	-	803,786	230,534,582
Bridge	9,171,526	-	-	-	9,171,526
Drainage	43,872,145	508,729	-	-	44,380,874
Total capital assets, being depreciated	<u>334,815,858</u>	<u>2,554,123</u>	<u>(1,026,943)</u>	<u>940,561</u>	<u>337,283,599</u>
Less accumulated depreciation for:					
Buildings	(7,769,178)	(502,320)	-	-	(8,271,498)
Improvements other than buildings	(7,701,357)	(678,820)	340,957	-	(8,039,220)
Equipment, furniture and vehicles	(8,386,062)	(981,710)	646,781	-	(8,720,991)
Infrastructure:					
Roadway	(49,368,075)	(6,179,983)	-	-	(55,548,058)
Bridge	(2,975,930)	(183,431)	-	-	(3,159,361)
Drainage	(8,367,101)	(1,272,566)	-	-	(9,639,667)
Total accumulated depreciation	<u>(84,567,703)</u>	<u>(9,798,830)</u>	<u>987,738</u>	<u>-</u>	<u>(93,378,795)</u>
Total capital assets being depreciated, net	<u>250,248,155</u>	<u>(7,244,707)</u>	<u>(39,205)</u>	<u>940,561</u>	<u>243,904,804</u>
Governmental activities capital asset, net	<u>\$ 307,169,027</u>	<u>\$ 4,406,814</u>	<u>\$ (260,205)</u>	<u>\$ 136,775</u>	<u>\$ 311,452,411</u>

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES (Continued)**

**C. CAPITAL ASSETS (Continued)**

**Reconciliation of Governmental activities capital asset additions:**

Total capital assets, not being depreciated – additions	\$11,651,521
Total capital assets, being depreciated – additions	<u>2,554,123</u>
Governmental activity capital asset additions	<u>\$14,205,644</u>

Governmental Funds – capital outlay	\$21,767,836
Donations and contributed capital	1,637,225
Transfer of asset from Internal Service Fund	30,228
Governmental Funds donation of capital assets to Enterprise Funds	<u>( 9,229,645)</u>
Governmental activity capital asset additions	<u>\$14,205,644</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	43,019,705	12,547,563	-	(3,478,400)	52,088,868
Total capital assets, not being depreciated:	<u>45,174,046</u>	<u>12,547,563</u>	<u>-</u>	<u>(3,478,400)</u>	<u>54,243,209</u>
Capital assets, being depreciated:					
Buildings	19,315,199	-	-	-	19,315,199
Improvements other than buildings	87,118,073	264,686	-	3,478,400	90,861,159
Equipment, furniture and vehicles	2,499,863	243,833	(154,244)	(136,775)	2,452,677
Total capital assets, being depreciated:	<u>108,933,135</u>	<u>508,519</u>	<u>(154,244)</u>	<u>3,341,625</u>	<u>112,629,035</u>
Less accumulated depreciation for:					
Buildings	(8,541,860)	(598,579)	-	-	(9,140,439)
Improvements other than buildings	(32,081,622)	(2,905,795)	-	-	(34,987,417)
Equipment, furniture and vehicles	(1,159,849)	(189,494)	154,244	-	(1,195,099)
Total accumulated depreciation	<u>(41,783,331)</u>	<u>(3,693,868)</u>	<u>154,244</u>	<u>-</u>	<u>(45,322,955)</u>
Total capital assets being depreciated, net	<u>67,149,804</u>	<u>(3,185,349)</u>	<u>-</u>	<u>3,341,625</u>	<u>67,306,080</u>
Business-type activities capital assets, net	<u>\$ 112,323,850</u>	<u>\$ 9,362,214</u>	<u>\$ -</u>	<u>\$ (136,775)</u>	<u>\$ 121,549,289</u>

**Reconciliation of Business-type activities capital asset additions:**

Total capital assets, not being depreciated – additions	\$12,547,563
Total capital assets, being depreciated – additions	<u>508,519</u>
Business-type activity capital asset additions	<u>\$13,056,082</u>

Enterprise Funds – acquisition of capital assets	\$ 3,473,233
Acquisition of Asset transferred to Governmental Fund	136,775
Donations and contributed capital	216,429
Governmental Funds “transfer” of capital assets to Enterprise Funds	<u>9,229,645</u>
Business-type activity capital asset additions	<u>\$13,056,082</u>

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**II. DETAILED NOTES (Continued)**

**C. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs as follows:

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 349,778
Public safety	943,860
Public works	7,970,645
Parks and recreation	441,303
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	93,244
Total depreciation expense - governmental activities	<u>\$ 9,798,830</u>
Business-type activities:	
Sewer	\$ 2,713,890
Parking	161,632
Private Development	12,405
Airport	805,941
Total depreciation expense - business-type activities	<u>\$ 3,693,868</u>

**D. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
Revenue bonds	\$ 113,010,000	\$ -	\$ (2,970,000)	\$ 110,040,000	\$ 3,085,000
Loan payable	43,928,048	9,862,424	(1,271,587)	52,518,885	2,672,165
Compensated absences	3,675,765	2,319,507	(2,275,411)	3,719,861	332,689
Self-insurance claims & settlements	12,693,462	1,397,005	(1,950,011)	12,140,456	1,925,897
OPEB Obligation	779,000	781,000	-	1,560,000	-
Subtotal	<u>174,086,275</u>	<u>14,359,936</u>	<u>(8,467,009)</u>	<u>179,979,202</u>	<u>8,015,751</u>
Add: Original issuance premium	850,604	-	(36,983)	813,621	-
Less: Deferred amount on refunding	<u>(900,808)</u>	<u>-</u>	<u>56,300</u>	<u>(844,508)</u>	<u>-</u>
Governmental activities long term liabilities	<u>\$ 174,036,071</u>	<u>\$ 14,359,936</u>	<u>\$ (8,447,692)</u>	<u>\$ 179,948,315</u>	<u>\$ 8,015,751</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 1,030,000	\$ -	\$ (1,030,000)	\$ -	\$ -
Loan payable	11,641,129	2,677,031	(401,554)	13,916,606	770,796
Compensated absences	465,650	286,290	(285,387)	466,553	41,726
Subtotal	<u>13,136,779</u>	<u>2,963,321</u>	<u>(1,716,941)</u>	<u>14,383,159</u>	<u>812,522</u>
Less: Deferred amount on refunding	<u>(242)</u>	<u>-</u>	<u>242</u>	<u>-</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 13,136,537</u>	<u>\$ 2,963,321</u>	<u>\$ (1,716,699)</u>	<u>\$ 14,383,159</u>	<u>\$ 812,522</u>

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES (Continued)**

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

<b>Reconciliation of Governmental activities loan payable additions:</b>	
Proceeds of long-term debt per financial statements	\$ 9,088,748
Construction period interest added to loan principal	<u>773,676</u>
Total Governmental activities loan payable additions	<u>\$ 9,862,424</u>
<b>Reconciliation of Business-type activities loan payable additions:</b>	
Proceeds from long-term debt per financial statements	\$ 2,498,202
Construction period interest added to loan principal	<u>178,829</u>
Total Business-type activities loan payable additions	<u>\$ 2,677,031</u>

Governmental Activities:

Revenue Bonds

2001 Tax Allocation Revenue Bonds (2001 TARBS) were issued by the CPFA in the amount of \$32,060,000 for the purpose of making loans to the Chico Redevelopment Agency to finance redevelopment projects in the Chico Amended and Merged Redevelopment Project Area and to refund the outstanding 1991 Revenue Bonds, Series A. Interest rates for the remaining term of the 2001 TARBS range from 4.38%-5.25%; serial bond payments due in semi-annual installments on October 1 and April 1 through April 1, 2024; term bonds of \$5,255,000 and \$3,890,000 due April 1, 2021 and 2024, respectively. The CPFA is subject to mandatory sinking fund payments ranging from \$1,235,000 to \$2,695,000 beginning 2020 and ending 2024.

<u>Amount</u>	<u>Totals</u>
\$ 23,640,000	

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

66,170,000

2007 Tax Allocation Refunding Bonds (2007 TABS) were issued by the Redevelopment Agency in the amount of \$23,405,000 for the purpose of refunding the CPFA's outstanding 1996 Tax Allocation Revenue Bonds. Interest rates for the remaining term of the 2007 TABS range from 4.00%-4.625%; payments due in semi-annual installments on October 1 and April 1 through April 1, 2025.

20,230,000

Total governmental revenue bonds payable

\$ 110,040,000

Loans Payable

Governmental portion of loan payable to the State Revolving Fund Loan Program; for the 2000 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. Original loan amount was \$25,545,988.

16,370,145

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES (Continued)**

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

Loans Payable (Continued):

	<u>Amount</u>	<u>Totals</u>
A loan of \$31,666,540, interest at 0%, has been approved by the State Revolving Fund Loan Program for the Chico Urban JPFA's Nitrate Compliance Program. 2010 construction draws on the loan were \$2,345,047. No payments are due on the loan until project completion.	\$ 2,345,047	
A loan of \$40,624,861, interest at 2.40%, has been approved by the State Revolving Fund Loan Program for the 2008 upgrade and expansion of the Water Pollution Control Plant. The governmental portion of the loan is estimated at 81% of the total amount or \$32,906,137. 2010 construction draws on the loan were \$5,520,236. Additionally, accrued interest was added to the principal balance of the loan in December 2009 per the loan agreement. The governmental portion of this accrued interest was \$773,453. Interest will continue to accrue until project completion.	32,580,005	
A loan of \$3,422,120, interest at 1.0%, has been approved by the State Revolving Fund Loan Program for the 2009 replacement of the existing outfall and diffuser at the Water Pollution Control Plant. The governmental portion of the loan is estimated at 50% of the total amount or \$1,711,060. 2010 construction draws on the loan were \$1,223,465. Additionally, accrued interest was added to the principal balance of the loan in February 2010 per the loan agreement. The governmental portion of this accrued interest was \$223. Interest will accrue upon disbursement and continue until project completion.	<u>1,223,688</u>	
Total governmental loans payable		\$ 52,518,885
Compensated absences - Policy discussed in Note ID		3,719,861
Liability for self-insurance claims - Discussed in Risk Management Note IIIA	\$ 5,783,456	
A legal settlement of \$7,905,400 was reached in early July 2008 and the liability as of June 30, 2010 was \$6,357,000.	<u>6,357,000</u>	
Total liability for self-insurance claims and settlements		12,140,456
OPEB Obligation - Discussed in OPEB Note IIIE		<u>1,560,000</u>
Subtotal governmental activities long-term debt		179,979,202
Add: Original issuance premium		813,621
Less: Deferred amount on refunding		<u>(844,508)</u>
Total governmental activities long-term debt		<u>\$ 179,948,315</u>

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES (Continued)**

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

Business-Type Activities:

Loans Payable

Sewer fund portion of loan payable to the State Revolving Fund Loan Program; for the 2000 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.

	Amount	Totals
\$	5,169,519	

A loan of \$40,624,861, interest at 2.40%, has been approved by the State Revolving Fund Loan Program for the 2008 upgrade and expansion of the Water Pollution Control Plant. The Sewer fund portion of the loan is estimated at 19% of the total amount or \$7,718,724. 2010 construction draws on the loan were \$1,274,737. Additionally, accrued interest was added to the principal balance of the loan in December 2009 per the loan agreement. The sewer fund portion of this accrued interest was \$178,607. Interest will continue to accrue until project completion.

7,523,399

A loan of \$3,422,120, interest at 1.0%, has been approved by the State Revolving Fund Loan Program for the 2009 replacement of the existing outfall and diffuser at the Water Pollution Control Plant. The Sewer Fund portion of the loan is estimated at 50% of the total amount or \$1,711,060. 2010 construction draws on the loan were \$1,223,465. Additionally, accrued interest was added to the principal balance of the loan in February 2010 per the loan agreement. The sewer fund portion of this accrued interest was \$223. Interest will accrue upon disbursement and continue until project completion.

1,223,688

Total business-type activities loans payable

\$ 13,916,606

Compensated absences - Policy discussed in Note ID

466,553

Total business-type activities long-term debt

\$ 14,383,159

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES (Continued)**

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

Annual debt service requirements to maturity for the revenue bonds and loans payable are as follows (note that this table does not include loans related to the 2008 Nitrate Compliance Program as no repayment schedule has been established by the State):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 5,757,165	\$ 6,433,632	\$ 770,796	\$ 326,780
2012	5,943,603	6,242,157	786,849	310,727
2013	6,140,981	6,041,791	805,793	291,783
2014	6,350,038	5,832,934	825,206	272,370
2015	6,575,816	5,606,882	845,100	252,476
2016-2020	37,264,050	24,303,757	4,541,580	946,301
2021-2025	36,151,987	17,068,587	2,845,957	456,317
2026-2030	41,145,198	9,312,761	2,495,324	174,658
2031-2032	14,885,000	1,125,500	-	-
Total	\$ 160,213,838	\$ 81,968,001	\$ 13,916,605	\$ 3,031,413

Interest expense in the amount of \$142,907 has been included as a component of the direct expenses of individual functions in the business-type activities on the government-wide statement of activities as the underlying debt has objectives that can be connected to specific programs.

**E. PLEDGED REVENUES**

The Redevelopment Agency has pledged a portion of tax increment revenue to repay \$68,500,000 in 2005 Tax Allocation Bonds issued in November 2005 to finance redevelopment projects in the Chico Amended and Merged Redevelopment Project Area. Total principal and interest remaining on the bonds is \$118,506,025, payable through April 2032. For the current year, principal and interest paid and total tax increment revenues were \$4,077,728 and \$31,728,673, respectively.

The Redevelopment Agency has pledged a portion of tax increment revenue to repay \$23,405,000 in 2007 Tax Allocation Refunding Bonds issued in July 2007 to advance refund the outstanding 1996 Tax Allocation Revenue Bonds. Total principal and interest remaining on the bonds is \$28,618,500, payable through April 2025. For the current year, principal and interest paid and total tax increment revenues were \$1,926,494 and \$31,728,673, respectively.

The Redevelopment Agency has pledged a portion of tax increment revenue to repay a loan from the CPFA. In July 2001, the CPFA issued \$32,060,000 of 2001 Tax Allocation Revenue Bonds (2001 TARBS). The proceeds of the 2001 TARBS were loaned to the Redevelopment Agency to finance redevelopment projects in the Chico Amended and Merged Redevelopment Project Area and to repay the Redevelopment Agency's prior loans from the CPFA relating to the CPFA's 1991 Revenue Bonds, Series A. The Redevelopment Agency's annual loan payment is an amount sufficient to cover the principal and interest on the CPFA's debt for that year. The CPFA has pledged, as security for the bonds, the annual loan payments from the Redevelopment Agency. Total principal and interest remaining on the debt is \$33,174,659, payable through April 2024. For the current year, principal and interest paid by the CPFA and total tax increment revenues were \$2,294,574 and \$31,728,673, respectively.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**II. DETAILED NOTES (Continued)**

**F. INTERFUND BALANCES**

Interfund balances as of June 30, 2010, consist of the following:

Due to/from other funds:

Due to:	Due from:		Total
	Nonmajor Governmental Funds	Internal Service Funds	
Housing Fund	\$ -	\$ 965,157	\$ 965,157
Capital Grants Fund	2,795,161	-	2,795,161
Nonmajor Governmental Funds	34,684	-	34,684
Airport Fund	-	514,244	514,244
Internal Service Funds	-	29,518	29,518
Total	\$ 2,829,845	\$ 1,508,919	\$ 4,338,764

All due to/due from balances, except as noted, are short-term loans to cover temporary fund cash shortages as of June 30, 2010, and will be repaid early in 2010-11.

Advances from/to other funds:

Receivable Fund:	Payable Fund:	Amount
Self-Insurance Internal Service Funds	Private Development Fund	\$ 5,800,000
Information Systems Internal Service Funds	Private Development Fund	200,000
Nonmajor Capital Projects Governmental Funds	Private Development Fund	1,400,000
Nonmajor Special Revenue Governmental Funds	Private Development Fund	1,402,141
	Total	\$ 8,802,141

A timeline for the repayment of the \$8,802,141 payable to the various funds has not been determined and no interest rate has been established. However, as noted in Note G., a solution for the Private Development Fund's deficit is being initiated which will allow for a future repayment to various funds.

**G. DEFICIT FUND EQUITY**

At June 30, 2010, the funds listed below reported deficit fund balances or net assets:

Fund	Amount
Capital Grants Capital Projects	\$ (1,234,954)
Private Development Enterprise	(9,342,212)

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 exists due to past practices in which revenues (fees) were unable to cover expenses. During the past fiscal year the deficit increased due to the impact of the national economic recession and its effect on development related activities. The existing deficit will be mitigated over time through interfund transfers from the General Fund and additional cost cutting measures.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**II. DETAILED NOTES (Continued)**

**H. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers.

Transfers to:	Transfers from:				
	General Fund	Public Facilities Impact Fees	Redevelopment Agency	Nonmajor Governmental Funds	Sewer
General Fund	\$ -	\$ -	\$ -	\$ 4,200,135	\$ -
Nonmajor Governmental	458,752	-	4,108,912	-	403,690
Private Development	567,531	28,766	-	-	-
Total	<u>\$ 1,026,283</u>	<u>\$ 28,766</u>	<u>\$ 4,108,912</u>	<u>\$ 4,200,135</u>	<u>403,690</u>
				Transfer of capital asset to governmental activities	136,775
					<u>\$ 540,465</u>

Transfers to:	Transfers from:				
	Parking	Private Development	Airport	Internal Service Funds	Total
General Fund	\$ -	\$ 100,000	\$ -	\$ -	\$ 4,300,135
Nonmajor Governmental	38,408	24,350	60,492	18,500	5,113,104
Private Development	-	-	-	-	596,297
Total	<u>\$ 38,408</u>	<u>\$ 124,350</u>	<u>\$ 60,492</u>	<u>18,500</u>	<u>\$ 10,009,536</u>
				Transfer of capital asset to General Fund	30,228
					<u>\$ 48,728</u>

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, and (3) 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 funds (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 any of the past three fiscal years.

The City uses the "internal service fund" method to account for the costs of self-insurance. While the ultimate amount of the costs of self insurance through June 30, 2010 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).

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**III. OTHER INFORMATION (Continued)**

**A. RISK MANAGEMENT (Continued)**

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, 2010, is based on the requirements of GASB Statements No. 10 and No. 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The City's provision of \$5,221,693 for insurance losses through June 30, 2010, represents the estimated cost of settling self-insurance liability claims. The provision for insurance losses was established by an outside actuary using accepted actuarial methods. These methods consider case-basis reserves established by the City, the rate of loss development on older claims, the effects of IBNR claims and the effects of inflation and other economic factors to determine ultimate cost.

	Claims Liability July 1	Current -Year Claims and Changes in Estimate	Current-Year Payments	Claims Liability June 30
2008-09	\$ 4,707,276	1,554,058	(1,186,980)	\$ 5,074,354
2009-10	5,074,354	1,313,427	(1,166,088)	5,221,693

General Liability Insurance

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

Participating entities share in loss occurrences in excess of \$500,000 or \$1,000,000 and up to \$5,000,000, and purchase insurance to provide additional coverage up to \$40,000,000. The auto/general liability program of the Authority provides coverage for comprehensive general liability, personal injury, employment practices liability (\$6,000,000 sublimit), contractual liability, errors and omissions, and auto liability. The City also participates in the Authority's auto physical damage program which provides property damage coverage for vehicles valued in excess of \$25,000, with a \$10,000 deductible, and in the Authority's property insurance program which provides property and boiler & machinery coverage with a \$25,000 deductible per occurrence.

Premium payments by member entities are planned to match expenses of insurance premiums for coverage in excess of the self-insured amount, estimated claims resulting from self-insurance programs and Authority operating expenses. Total premiums paid to the Authority during the year ended June 30, 2010, were \$312,835.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**III. OTHER INFORMATION (Continued)**

**A. RISK MANAGEMENT (Continued)**

The claims liability reported in the Self Insurance Internal Service Fund at June 30, 2010, 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 \$561,763 for insurance losses represents the estimated cost of settling self-insurance liability claims.

Changes in the claims liability are as follows:

	Claims Liability <u>July 1</u>	Current -Year Claims and Changes in Estimate	Current-Year <u>Payments</u>	Claims Liability <u>June 30</u>
2008-09	\$ 800,418	253,592	(184,902)	\$ 869,108
2009-10	869,108	83,578	(390,923)	561,763

**B. SPECIAL ASSESSMENT DISTRICT BONDS**

The City currently administers one active 1915 Bond Act assessment district as defined in the State of California Streets and Highway Code. Bonds have been issued for this district and are secured by valid assessment liens upon the properties within the district. 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 the 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 district:

<u>Name</u>	<u>Original Assessment</u>	<u>Interest Rate Remaining term</u>	<u>Balance at June 30, 2010</u>
Mission Ranch	\$ 1,571,085	6.63%	\$ 370,000

**C. CONTINGENCIES AND COMMITMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a party to a lawsuit arising out of the contamination of groundwater or real property with hazardous materials which could result in substantial liabilities for hazardous waste investigation and characterization costs and/or remediation costs. The amount claimed by the plaintiff in the lawsuit is \$4,000,000. At the present time it is unclear what the full extent of the City’s liability will be for this case.

The City is also a party to a lawsuit related to numerous matters still being analyzed. The amount claimed by the plaintiff in the lawsuit is \$1,900,000. At the present time it is unclear what the full extent of the City’s liability will be for this case.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. DETAILED NOTES (Continued)**

**C. CONTINGENCIES AND COMMITMENTS (Continued)**

Construction commitments for major construction projects at June 30, 2010 totaled approximately \$77 million and are described as follows:

Water Pollution Control Plant (WPCP) Expansion: Project expands the treatment capacity of the WPCP from 9 million gallons per day to 12 million gallons per to accommodate connection of the Nitrate Compliance Plan Areas, as well as anticipated growth in the community. A State Revolving Fund loan is being used to finance the expansion and will be repaid through fees collected in the future. Approximately \$52 million dollars has been expended and approximately \$14 million will be expended over the next year.

Chico Urban Area Nitrate Compliance Program: Project is for the installation of sanitary sewer mains, trunks, and laterals throughout the Chico Urban Area as identified in the Compliance Program Project Report. A State Revolving Fund loan obtained by the Chico Urban Area Joint Powers Financing Authority (JPFA) is being used to finance the expansion and will be repaid though dedicated tax increment collected in the future.

Approximately \$4 million has been expended and approximately \$45 million will be expended over the next seven years.

Other construction commitments include the East 5<sup>th</sup> Avenue Reconstruction, Cohasset Road Widening and Skyway/Highway 99 Interchange Reconstruction. These Projects are funded from various sources including grants, redevelopment funds and user fees. Approximately \$15 million has been expended and approximately \$18 million more will be expended over the next year on these projects.

**D. DEFINED BENEFIT PENSION PLAN**

Plan Description

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

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City is required to contribute at an actuarially determined rate. For fiscal year 2009-10, the rate was 20.805% for miscellaneous employees and 26.362% 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, 2010, the City's annual pension cost of \$3,560,759 and \$4,116,336 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, 2007, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service from 3.25% to 14.45% for miscellaneous members (from 3.25% to 13.15% for safety members), and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3% and a payroll growth component of 3.25%.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**III. OTHER INFORMATION (Continued)**

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

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

Funding Status and Funding Progress

As of June 30, 2008, the most recent CalPERS actuarial valuation date, the Miscellaneous and Safety Plans were funded 77.3% and 78.8%, respectively. The actuarial accrued liability for benefits was \$112,037,659 and the actuarial value of assets was \$86,576,900, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,460,759 for the Miscellaneous Plan. Also, the actuarial accrued liability for benefits was \$117,824,024 and the actuarial value of assets was \$92,792,301, resulting in an UAAL of \$25,031,723 for the Safety Plan. The covered payroll (annual payroll of active employees covered by the plan) was \$17,034,880 for Miscellaneous Plan employees and \$15,386,387 for Safety Plan employees, and the ratio of the UAAL to covered payroll was 149.5% for the Miscellaneous Plan and 162.7% for the Safety Plan.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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
6/30/08	\$ 3,370,141	100%	-	\$ 4,024,794	100%	-
6/30/09	3,569,785	100%	-	4,246,358	100%	-
6/30/10	3,560,759	100%	-	4,116,336	100%	-

**E. OTHER POST EMPLOYMENT BENEFITS – (OPEB)**

**Plan Description.** The City of Chico Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City. The plan provides lifetime healthcare insurance coverage for eligible retirees and their dependents through the City’s group medical insurance plan, which covers both active and retired participants. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees, and the unions representing City employees. The Retiree Healthcare Plan does not issue a financial report.

Employees are eligible to participate in the City’s Retiree Healthcare Plan if they retire directly from the City under CalPERS and pay the full premium. Since premiums are determined for actives and retirees on a combined basis, an implied subsidy must be reflected under GASB 45.

**Funding Policy.** The contribution requirements of the Plan participants and the City are established by and may be amended by the City.

The City contributed an estimated \$297,000 during 2009-10 for the implied subsidy inherent in 2009-10 retiree-paid premiums.

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**III. OTHER INFORMATION (Continued)**

**E. OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)**

**Annual OPEB Cost and Net OPEB Obligation.** The City’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s Net OPEB obligation:

Annual required contribution	\$ 1,043,000
Interest on net OPEB obligation	35,000
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	1,078,000
Contributions made	<u>(297,000)</u>
Increase in net OPEB obligation	781,000
Net OPEB obligation – beginning of year	<u>779,000</u>
Net OPEB obligation – end of year	<u>\$ 1,560,000</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009-10 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	n/a	n/a	n/a
6/30/09	\$ 1,010,000	22.9%	\$ 779,000
6/30/10	\$ 1,043,000	28.5%	\$ 1,560,000

In the past, the General Fund, the Redevelopment Agency and Capital Improvements Capital Projects Funds have been used to liquidate the net OPEB Obligation.

**Funded Status and Funding Progress.** The funded status of the plan as of June 30, 2008, the plan’s most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 10,075,000
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	\$ 10,075,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active Plan participants)	\$ 32,659,000
UAAL as a percentage of covered payroll	30.8%

**CITY OF CHICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**III. OTHER INFORMATION (Continued)**

**E. OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. Medical premiums were assumed to increase with a pre-Medicare medical cost increase rate of 9.1% for the HMO and 9.8% for the PPOs for 2011, both grading down to 4.5% for 2017 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a fixed 30-year period.

**F. ARBITRAGE**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. Arbitrage calculations are performed by MuniFinancial. As of June 30, 2010, the City does not have any arbitrage liability.



## **REQUIRED SUPPLEMENTARY INFORMATION**

- Schedule of Funding Progress
- Schedules of Revenues, Expenditures, and Changes in Fund Balances, Budget to Actual, (General Fund and Major Special Revenue Funds):
  - General Fund
  - Housing Fund
  - Redevelopment Agency Fund
- Notes to Required Supplementary Information



**CITY OF CHICO, CALIFORNIA  
PERS RETIREMENT PLAN  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
YEAR ENDED JUNE 30, 2010**

The information below, which is from the latest available actuarial valuation reports, shows a five-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the funded status of the accrued liability as a percentage of the annual covered payroll for the City's contributions to PERS as of June 30.

Miscellaneous Plan:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Asset Value	Underfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ration	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/04	\$ 74,370,533	\$ 58,082,900	\$ 16,287,633	78.1%	\$ 13,033,889	125.0%
6/30/05	83,548,394	64,567,789	18,980,605	77.3%	13,628,915	139.3%
6/30/06	93,375,572	71,283,269	22,092,303	76.3%	15,093,526	146.4%
6/30/07	102,419,370	79,504,774	22,914,596	77.6%	16,207,108	141.4%
6/30/08	112,037,659	86,576,900	25,460,759	77.3%	17,034,880	149.5%

Safety Plan:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Asset Value	Underfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ration	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/04	\$ 76,831,379	\$ 62,656,034	\$ 14,175,345	81.6%	\$ 10,929,651	129.7%
6/30/05	84,630,272	68,904,786	15,725,486	81.4%	11,444,106	137.4%
6/30/06	95,803,250	75,991,818	19,811,432	79.3%	13,376,746	148.1%
6/30/07	104,322,195	84,029,544	20,292,651	80.5%	14,735,332	137.7%
6/30/08	117,824,024	92,792,301	25,031,723	78.8%	15,386,387	162.7%

**CITY OF CHICO, CALIFORNIA  
OTHER POST EMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
YEAR ENDED JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Underfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ration	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
6/30/08	\$ -	\$ 10,075,000	\$ 10,075,000	0%	\$ 32,659,000	30.8%

**CITY OF CHICO, CALIFORNIA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 11,459,229	\$ 11,755,719	\$ 11,565,883	\$ (189,836)
Sales and use taxes	14,904,000	14,174,299	14,789,902	615,603
Other taxes	9,823,200	10,299,020	10,256,217	(42,803)
Licenses and permits	92,700	98,000	108,204	10,204
Intergovernmental	1,707,900	1,329,427	1,457,856	128,429
Charges for services	262,700	252,150	249,709	(2,441)
Fines, forfeitures, and penalties	806,100	686,700	618,169	(68,531)
Use of money and property	308,734	191,479	211,387	19,908
Miscellaneous	339,200	306,195	248,801	(57,394)
Total revenues	<u>39,703,763</u>	<u>39,092,989</u>	<u>39,506,128</u>	<u>413,139</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,645,183	1,393,167	1,331,420	61,747
Public safety	36,431,293	36,396,835	36,383,620	13,215
Public works	3,744,094	3,645,131	3,622,783	22,348
Parks and recreation	3,023,131	2,930,665	2,892,683	37,982
Community development	295,164	807,052	775,469	31,583
Community agencies	411,736	435,661	467,050	(31,389)
Total expenditures	<u>45,550,601</u>	<u>45,608,511</u>	<u>45,473,025</u>	<u>135,486</u>
Deficiency of revenues under expenditures	<u>(5,846,838)</u>	<u>(6,515,522)</u>	<u>(5,966,897)</u>	<u>548,625</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,272,749	4,047,749	4,300,135	252,386
Transfers out	(1,008,168)	(1,055,794)	(1,026,283)	29,511
Total other financing sources (uses)	<u>3,264,581</u>	<u>2,991,955</u>	<u>3,273,852</u>	<u>281,897</u>
Net change in fund balance	(2,582,257)	(3,523,567)	(2,693,045)	830,522
Fund balance, beginning of year	<u>9,591,040</u>	<u>9,591,040</u>	<u>9,591,040</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,008,783</u>	<u>\$ 6,067,473</u>	<u>\$ 6,897,995</u>	<u>\$ 830,522</u>

**CITY OF CHICO, CALIFORNIA  
HOUSING FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	Budgetary Basis	
<b>REVENUES:</b>				
Intergovernmental	\$ 3,579,426	\$ 4,465,981	\$ 2,230,084	\$ (2,235,897)
Use of money and property	9,907	9,554	23,677	14,123
Miscellaneous	6,585	20,868	-	(20,868)
Total revenues	<u>3,595,918</u>	<u>4,496,403</u>	<u>2,253,761</u>	<u>(2,242,642)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	<u>3,595,918</u>	<u>4,019,909</u>	<u>2,078,594</u>	<u>1,941,315</u>
Excess (deficiency) of revenues over (under) expenditures	-	476,494	175,167	(301,327)
Fund balance, beginning of year	<u>3,525,498</u>	<u>3,525,498</u>	<u>3,525,498</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,525,498</u></u>	<u><u>\$ 4,001,992</u></u>	<u><u>\$ 3,700,665</u></u>	<u><u>\$ (301,327)</u></u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 4,425,165
The City budgets and records loans made in the Community development expenditure accounts, but adjusts the actual disbursement to loans receivable.	<u>(724,500)</u>
Budgetary fund balance	<u><u>\$ 3,700,665</u></u>

**CITY OF CHICO, CALIFORNIA  
REDEVELOPMENT AGENCY FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	Budgetary Basis	
Property taxes	\$31,440,104	\$ 30,976,262	\$ 31,728,673	\$ 752,411
Charges for services	26,758	26,758	20,038	(6,720)
Use of money and property	742,748	750,748	693,571	(57,177)
Miscellaneous	92,777	92,777	655,356	562,579
Total revenues	<u>32,302,387</u>	<u>31,846,545</u>	<u>33,097,638</u>	<u>1,251,093</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	1,383,951	1,512,629	1,296,691	215,938
Redevelopment	26,180,130	31,346,371	22,677,452	8,668,919
Contribution to other governments	9,248,048	9,248,048	9,248,048	-
Capital outlay	10,520,328	11,122,651	3,656,954	7,465,697
Debt Service				
Principal retirement	1,895,000	1,895,000	1,895,000	-
Interest and fiscal charges	4,111,722	4,113,700	4,113,178	522
Total expenditures	<u>53,339,179</u>	<u>59,238,399</u>	<u>42,887,323</u>	<u>16,350,554</u>
Excess (deficiency) of revenues over (under) expenditures	(21,036,792)	(27,391,854)	(9,789,685)	17,602,169
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			-	-
Transfers out	(4,106,899)	(4,062,464)	(4,108,912)	(46,448)
Net change in fund balance	(25,143,691)	(31,454,318)	(13,898,597)	17,555,721
Fund balance, beginning of year	<u>79,510,102</u>	<u>79,510,102</u>	<u>79,510,102</u>	<u>-</u>
Fund balance, end of year	<u>\$54,366,411</u>	<u>\$ 48,055,784</u>	<u>\$ 65,611,505</u>	<u>17,555,721</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 71,844,841
The Agency budgets loan payments received in the revenues accounts, but adjusts actual payments to loans receivable.	639,555
The Agency budgets and records loans made in the Redevelopment expenditure accounts but adjusts the actual disbursement to loans receivable.	(6,872,891)
Budgetary fund balance	<u>\$ 65,611,505</u>

**CITY OF CHICO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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Budgetary Data

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

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

The Redevelopment Agency Fund and the Housing Fund budget the following items on a cash basis:

1. Loans made for housing and other purposes are budgeted as expenditures but reported as receivables.
2. Loan payments received for housing and other purposes are budgeted as revenue but reported as reductions to receivables.
3. Purchases of land held for resale are budgeted as expenditures but recorded as assets.

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

## **SUPPLEMENTAL BUDGETARY COMPARISONS**

Schedules of Revenues, Expenditures, and Changes in Fund Balances, Budget to Actual (Major Capital Projects Funds):

- Public Facilities Impact Fees Fund
- Capital Grants Fund



**CITY OF CHICO, CALIFORNIA**  
**PUBLIC FACILITIES IMPACT FEES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Charges for services	3,127,326	4,130,257	2,598,573	(1,531,684)
Use of money and property	<u>365,552</u>	<u>352,146</u>	<u>36,448</u>	<u>(315,698)</u>
Total revenues	<u>3,492,878</u>	<u>4,482,403</u>	<u>3,635,021</u>	<u>(847,382)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	1,512,375	2,687,290	1,224,386	1,462,904
Capital outlay	8,287,724	23,301,616	11,158,455	12,143,161
Debt Service:				
Principal retirement	3,110,287	1,271,587	1,271,587	-
Interest and fiscal charges	<u>1,062,785</u>	<u>458,685</u>	<u>458,685</u>	<u>-</u>
Total expenditures	<u>13,973,171</u>	<u>27,719,178</u>	<u>14,113,113</u>	<u>13,606,065</u>
Deficiency of revenues under expenditures	<u>(10,480,293)</u>	<u>(23,236,775)</u>	<u>(10,478,092)</u>	<u>12,758,683</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(70,092)	(65,676)	(28,766)	36,910
Proceeds of long-term debt	<u>1,286,997</u>	<u>10,026,959</u>	<u>6,743,701</u>	<u>(3,283,258)</u>
Total other financing sources (uses)	<u>1,216,905</u>	<u>9,961,283</u>	<u>6,714,935</u>	<u>(3,246,348)</u>
Net change in fund balance	(9,263,388)	(13,275,492)	(3,763,157)	9,512,335
Fund balance, beginning of year	<u>8,805,852</u>	<u>8,805,852</u>	<u>8,805,852</u>	<u>-</u>
Fund balance, end of year	<u>\$ (457,536)</u>	<u>\$ (4,469,640)</u>	<u>\$ 5,042,695</u>	<u>\$ 9,512,335</u>

**CITY OF CHICO, CALIFORNIA  
CAPITAL GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 4,144,193	\$ 15,360,069	\$ 2,954,655	\$ (12,405,414)
Use of money and property	450,000	-	-	-
Miscellaneous	-	-	43,655	43,655
Total revenues	<u>4,594,193</u>	<u>15,360,069</u>	<u>2,998,310</u>	<u>(12,361,759)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	402,193	428,005	102,840	325,165
Public works	3,050,000	8,192,343	138,898	8,053,445
Parks and recreation	200,000	928,506	193,318	735,188
Capital outlay	942,000	2,857,073	844,066	2,013,007
Total expenditures	<u>4,594,193</u>	<u>12,405,927</u>	<u>1,279,122</u>	<u>11,126,805</u>
Excess of revenues over expenditures	<u>-</u>	<u>2,954,142</u>	<u>1,719,188</u>	<u>(1,234,954)</u>
Fund balance, beginning of year	<u>(2,954,142)</u>	<u>(2,954,142)</u>	<u>(2,954,142)</u>	<u>(2,954,140)</u>
Fund balance, end of year	<u><u>\$ (2,954,142)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,234,954)</u></u>	<u><u>\$ (4,189,094)</u></u>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

#### **Operating Grants**

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

#### **Community Maintenance Districts**

Accounts for maintenance and operation of specified public improvements.

#### **Transportation**

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

#### **Gas Tax**

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

Accounts for federal funds allocated for street maintenance and rehabilitation, and right-of-way acquisition, maintenance, construction, street sweeping, and improvement of street facilities, from the Transportation Equity Act for the 21<sup>st</sup> Century.

#### **Other Special Revenue**

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

### **DEBT SERVICE FUNDS**

#### **Chico Public Financing Authority Bonds**

Accounts for the financing of public improvements, as well as other facilities and improvements which can be funded through the issuance of tax exempt bonds.

### **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.

#### **Chico Urban Area Joint Powers Financing Authority**

Accounts for the financing, construction and installation of sewer facilities and improvements in the greater Chico area.

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

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



**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,591,816	\$ -	\$ 9,020,745	\$ 11,612,561
Receivables:				
Interest	-	-	8,071	8,071
Accounts	27,203	-	16,904	44,107
Intergovernmental	2,039,974	-	1,893	2,041,867
Loans	68,723	-	580,584	649,307
Due from other funds	-	-	2,829,845	2,829,845
Deposits with others	181,925	-	571,379	753,304
Advances to other funds	1,402,141	-	1,400,000	2,802,141
Restricted assets:				
Cash and investments	-	1,729,375	-	1,729,375
Total assets	<u>\$ 6,311,782</u>	<u>\$ 1,729,375</u>	<u>\$ 14,429,421</u>	<u>\$ 22,470,578</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 134,841	\$ -	\$ 182,005	\$ 316,846
Accrued salaries and benefits	12,277	-	100,593	112,870
Intergovernmental payable	28,407	-	-	28,407
Due to other funds	34,684	-	-	34,684
Deferred revenue	129,034	-	-	129,034
Total liabilities	<u>339,243</u>	<u>-</u>	<u>282,598</u>	<u>621,841</u>
Fund balances:				
Reserved for:				
Encumbrances	95,954	-	48,623	144,577
Deposits with others	181,925	-	571,379	753,304
Debt service	-	1,729,375	-	1,729,375
Loans receivable	68,723	-	580,584	649,307
Advances to other funds	1,402,141	-	1,400,000	2,802,141
Unreserved/designated for:				
Capital replacement	1,421,415	-	-	1,421,415
Unreserved/undesignated	2,802,381	-	11,546,237	14,348,618
Total fund balances	<u>5,972,539</u>	<u>1,729,375</u>	<u>14,146,823</u>	<u>21,848,737</u>
Total liabilities and fund balances	<u>\$ 6,311,782</u>	<u>\$ 1,729,375</u>	<u>\$ 14,429,421</u>	<u>\$ 22,470,578</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Intergovernmental	\$ 6,809,569	\$ -	\$ -	\$ 6,809,569
Charges for services	1,295,610	-	136,381	1,431,991
Fines, forfeitures, and penalties	198,829	-		198,829
Use of money and property	49,302	88,381	96,209	233,892
Miscellaneous	108	-	-	108
Total revenues	<u>8,353,418</u>	<u>88,381</u>	<u>232,590</u>	<u>8,674,389</u>
<b>EXPENDITURES:</b>				
Current:				
General government	43,521	-	290,053	333,574
Public safety	541,827	-	-	541,827
Public works	3,815,058	-	321,693	4,136,751
Capital outlay	2,393,587	-	3,714,774	6,108,361
Debt service:				
Principal retirement	-	1,075,000	-	1,075,000
Interest and fiscal charges	-	1,222,293	-	1,222,293
Total expenditures	<u>6,793,993</u>	<u>2,297,293</u>	<u>4,326,520</u>	<u>13,417,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,559,425</u>	<u>(2,208,912)</u>	<u>(4,093,930)</u>	<u>(4,743,417)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	68,168	2,208,912	2,836,024	5,113,104
Transfers out	(4,200,135)	-	-	(4,200,135)
Proceeds of long-term debt	-	-	2,345,047	2,345,047
Total other financing sources (uses)	<u>(4,131,967)</u>	<u>2,208,912</u>	<u>5,181,071</u>	<u>3,258,016</u>
Net change in fund balances	(2,572,542)	-	1,087,141	(1,485,401)
Fund balances, beginning of year	<u>8,545,081</u>	<u>1,729,375</u>	<u>13,059,682</u>	<u>23,334,138</u>
Fund balances, end of year	<u>\$ 5,972,539</u>	<u>\$ 1,729,375</u>	<u>\$ 14,146,823</u>	<u>\$ 21,848,737</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010**

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 1,834,166	\$ 202,087	\$ 7,588	\$ 547,975	\$ 2,591,816
Receivables:						
Accounts	-	575	-	-	26,628	27,203
Intergovernmental	129,373	93,284	759,433	1,046,180	11,704	2,039,974
Deposits with others	-	-	-	181,925	-	181,925
Advances to other funds	-	-	902,141	400,000	100,000	1,402,141
	<u>-</u>	<u>-</u>	<u>902,141</u>	<u>400,000</u>	<u>100,000</u>	<u>1,402,141</u>
Total assets	<u>\$ 129,373</u>	<u>\$ 1,928,025</u>	<u>\$ 1,863,661</u>	<u>\$ 1,635,693</u>	<u>\$ 755,030</u>	<u>\$ 6,311,782</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 224	\$ 50,986	\$ 82,542	\$ 975	\$ 114	\$ 134,841
Accrued salaries and benefits	-	270	11,281	-	726	12,277
Intergovernmental payable	28,407	-	-	-	-	28,407
Due to other funds	34,684	-	-	-	-	34,684
Deferred revenue	129,034	-	-	-	-	129,034
	<u>192,349</u>	<u>51,256</u>	<u>93,823</u>	<u>975</u>	<u>840</u>	<u>339,243</u>
Fund balances:						
Reserved for:						
Encumbrances	5,685	-	22,121	68,148	-	95,954
Deposits with others	-	-	-	181,925	-	181,925
Loans receivable	-	-	-	-	68,723	68,723
Advances to other funds	-	-	902,141	400,000	100,000	1,402,141
Unreserved/designated for:						
Capital replacement	-	1,421,415	-	-	-	1,421,415
Unreserved/undesignated	(68,661)	455,354	845,576	984,645	585,467	2,802,381
	<u>(62,976)</u>	<u>1,876,769</u>	<u>1,769,838</u>	<u>1,634,718</u>	<u>754,190</u>	<u>5,972,539</u>
Total liabilities and fund balances	<u>\$ 129,373</u>	<u>\$ 1,928,025</u>	<u>\$ 1,863,661</u>	<u>\$ 1,635,693</u>	<u>\$ 755,030</u>	<u>\$ 6,311,782</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>						
Intergovernmental	\$ 449,736	\$ -	\$ 2,120,381	\$ 4,239,452	\$ -	\$ 6,809,569
Charges for services	-	1,144,035	516	-	151,059	1,295,610
Fines, forfeitures, and penalties	-	-	-	-	198,829	198,829
Use of money and property	-	11,243	9,285	18,987	9,787	49,302
Miscellaneous	-	-	-	-	108	108
Total revenues	<u>449,736</u>	<u>1,155,278</u>	<u>2,130,182</u>	<u>4,258,439</u>	<u>359,783</u>	<u>8,353,418</u>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	43,521	43,521
Public safety	529,317	-	-	-	12,510	541,827
Public works	-	850,307	1,779,312	1,185,439	-	3,815,058
Capital outlay	5,706	-	265,409	2,122,472	-	2,393,587
Total expenditures	<u>535,023</u>	<u>850,307</u>	<u>2,044,721</u>	<u>3,307,911</u>	<u>56,031</u>	<u>6,793,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(85,287)</u>	<u>304,971</u>	<u>85,461</u>	<u>950,528</u>	<u>303,752</u>	<u>1,559,425</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	21,517	19,535	27,116	-	-	68,168
Transfers out	-	-	(800,000)	(2,642,000)	(758,135)	(4,200,135)
Total other financing sources (uses)	<u>21,517</u>	<u>19,535</u>	<u>(772,884)</u>	<u>(2,642,000)</u>	<u>(758,135)</u>	<u>(4,131,967)</u>
Net change in fund balances	(63,770)	324,506	(687,423)	(1,691,472)	(454,383)	(2,572,542)
Fund balances, beginning of year	<u>794</u>	<u>1,552,263</u>	<u>2,457,261</u>	<u>3,326,190</u>	<u>1,208,573</u>	<u>8,545,081</u>
Fund balances, end of year	<u>\$ (62,976)</u>	<u>\$ 1,876,769</u>	<u>\$ 1,769,838</u>	<u>\$ 1,634,718</u>	<u>\$ 754,190</u>	<u>\$ 5,972,539</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	<u>\$ 360,563</u>	<u>\$ 841,074</u>	<u>\$ 449,736</u>	<u>\$ (391,338)</u>
EXPENDITURES:				
Current:				
Public safety	250,037	691,350	529,317	162,033
Capital outlay	<u>103,037</u>	<u>103,037</u>	<u>5,706</u>	<u>97,331</u>
Total expenditures	<u>353,074</u>	<u>794,387</u>	<u>535,023</u>	<u>259,364</u>
Excess (deficiency) of revenues over (under) expenditures	7,489	46,687	(85,287)	(131,974)
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>47,626</u>	<u>21,517</u>	<u>(26,109)</u>
Net change in fund balance	7,489	94,313	(63,770)	(158,083)
Fund balance, beginning of year	<u>794</u>	<u>794</u>	<u>794</u>	<u>(65,233)</u>
Fund balance, end of year	<u><u>\$ 8,283</u></u>	<u><u>\$ 95,107</u></u>	<u><u>\$ (62,976)</u></u>	<u><u>\$ (223,316)</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, 2010**

	<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	\$ 1,167,718	\$ 1,153,766	\$ 1,144,035	\$ (9,731)
Use of money and property	48,469	48,469	11,243	(37,226)
Total revenues	<u>1,216,187</u>	<u>1,202,235</u>	<u>1,155,278</u>	<u>(46,957)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>1,101,513</u>	<u>1,016,371</u>	<u>850,307</u>	<u>166,064</u>
Excess of revenues over expenditures	114,674	185,864	304,971	119,107
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>22,937</u>	<u>22,937</u>	<u>19,535</u>	<u>(3,402)</u>
Net change in fund balance	137,611	208,801	324,506	115,705
Fund balance, beginning of year	<u>1,552,263</u>	<u>1,552,263</u>	<u>1,552,263</u>	<u>270,452</u>
Fund balance, end of year	<u><u>\$ 1,689,874</u></u>	<u><u>\$ 1,761,064</u></u>	<u><u>\$ 1,876,769</u></u>	<u><u>\$ 386,157</u></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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 2,120,431	\$ 2,120,431	\$ 2,120,381	\$ (50)
Charges for services	720	720	516	(204)
Use of money and property	49,147	49,147	9,285	(39,862)
Total revenues	<u>2,170,298</u>	<u>2,170,298</u>	<u>2,130,182</u>	<u>(40,116)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	2,174,966	2,200,579	1,779,312	421,267
Capital outlay	102,000	248,127	265,409	(17,282)
Total expenditures	<u>2,276,966</u>	<u>2,448,706</u>	<u>2,044,721</u>	<u>403,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(106,668)</u>	<u>(278,408)</u>	<u>85,461</u>	<u>363,869</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	15,000	15,000	27,116	12,116
Transfers out	(800,000)	(800,000)	(800,000)	-
Total other financing sources (uses)	<u>(785,000)</u>	<u>(785,000)</u>	<u>(772,884)</u>	<u>12,116</u>
Net change in fund balance	(891,668)	(1,063,408)	(687,423)	375,985
Fund balance, beginning of year	<u>2,457,261</u>	<u>2,457,261</u>	<u>2,457,261</u>	<u>1,554,911</u>
Fund balance, end of year	<u>\$ 1,565,593</u>	<u>\$ 1,393,853</u>	<u>\$ 1,769,838</u>	<u>\$ 1,930,896</u>

**CITY OF CHICO, CALIFORNIA  
GAS TAX FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 2,986,553	\$ 4,241,213	\$ 4,239,452	\$ (1,761)
Use of money and property	108,722	108,722	18,987	(89,735)
Total revenues	<u>3,095,275</u>	<u>4,349,935</u>	<u>4,258,439</u>	<u>(91,496)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	1,191,500	2,463,245	1,185,439	1,277,806
Capital outlay	-	1,959,652	2,122,472	(162,820)
Total expenditures	<u>1,191,500</u>	<u>4,422,897</u>	<u>3,307,911</u>	<u>1,114,986</u>
Excess (deficiency) of revenues over (under) expenditures	1,903,775	(72,962)	950,528	1,023,490
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(2,642,000)</u>	<u>(2,642,000)</u>	<u>(2,642,000)</u>	<u>-</u>
Net change in fund balance	(738,225)	(2,714,962)	(1,691,472)	1,023,490
Fund balance, beginning of year	<u>3,326,190</u>	<u>3,326,190</u>	<u>3,326,190</u>	<u>1,890,848</u>
Fund balance, end of year	<u>\$ 2,587,965</u>	<u>\$ 611,228</u>	<u>\$ 1,634,718</u>	<u>\$ 2,914,338</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, 2010**

	<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	\$ 155,000	\$ 155,000	\$ 151,059	\$ (3,941)
Fines, forfeitures and penalties	133,750	168,850	198,829	29,979
Use of money and property	34,403	34,403	9,787	(24,616)
Miscellaneous	2,889	2,889	108	(2,781)
Total revenues	<u>326,042</u>	<u>361,142</u>	<u>359,783</u>	<u>(1,359)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	139,517	140,799	43,521	97,278
Public safety	10,000	19,300	12,510	6,790
Total expenditures	<u>220,917</u>	<u>231,499</u>	<u>56,031</u>	<u>175,468</u>
Excess (deficiency) of revenues over (under) expenditures	105,125	129,643	303,752	174,109
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(730,749)</u>	<u>(730,749)</u>	<u>(758,135)</u>	<u>(27,386)</u>
Net change in fund balance	(625,624)	(601,106)	(454,383)	146,723
Fund balance, beginning of year	<u>1,208,573</u>	<u>1,208,573</u>	<u>1,208,573</u>	<u>39,120</u>
Fund balance, end of year	<u>\$ 582,949</u>	<u>\$ 607,467</u>	<u>\$ 754,190</u>	<u>\$ 185,843</u>

**CITY OF CHICO, CALIFORNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2010**

	Chico Public Financing Authority Bonds	Total Nonmajor Debt Service Funds
<b>ASSETS</b>		
Restricted cash and investments	\$ 1,729,375	\$ 1,729,375
 <b>FUND BALANCES</b>		
Reserved for:		
Debt service	\$ 1,729,375	\$ 1,729,375

**CITY OF CHICO, CALIFORNIA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2010**

	Chico Public Financing Authority Bonds	Total Nonmajor Debt Service Funds
	<u>          </u>	<u>          </u>
REVENUES:		
Use of money and property	\$ 88,381	\$ 88,381
	<u>          </u>	<u>          </u>
EXPENDITURES:		
Debt service:		
Principal retirement	1,075,000	1,075,000
Interest and fiscal charges	1,222,293	1,222,293
	<u>          </u>	<u>          </u>
Total expenditures	2,297,293	2,297,293
	<u>          </u>	<u>          </u>
Excess (deficiency) of revenues over (under) expenditures	(2,208,912)	(2,208,912)
OTHER FINANCING SOURCES (USES):		
Transfers in	2,208,912	2,208,912
	<u>          </u>	<u>          </u>
Net change in fund balance	-	-
Fund balance, beginning of year	1,729,375	1,729,375
	<u>          </u>	<u>          </u>
Fund balance, end of year	\$ 1,729,375	\$ 1,729,375
	<u>          </u>	<u>          </u>

**CITY OF CHICO, CALIFORNIA  
CHICO PUBLIC FINANCING AUTHORITY BONDS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	<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	\$ 90,675	\$ 90,675	\$ 88,381	\$ (2,294)
EXPENDITURES:				
Debt service:				
Principal retirement	1,075,001	1,075,001	1,075,000	1
Interest and fiscal charges	1,222,573	1,222,573	1,222,293	280
Total expenditures	<u>2,297,574</u>	<u>2,297,574</u>	<u>2,297,293</u>	<u>281</u>
Deficiency of revenues under expenditures	(2,206,899)	(2,206,899)	(2,208,912)	(2,013)
OTHER FINANCING SOURCES:				
Transfers in	<u>2,206,899</u>	<u>2,162,464</u>	<u>2,208,912</u>	<u>46,448</u>
Net change in fund balance	-	(44,435)	-	44,435
Fund balance, beginning of year	<u>1,729,375</u>	<u>1,729,375</u>	<u>1,729,375</u>	<u>44,434</u>
Fund balance, end of year	<u><u>\$ 1,729,375</u></u>	<u><u>\$ 1,684,940</u></u>	<u><u>\$ 1,729,375</u></u>	<u><u>\$ 88,869</u></u>

**CITY OF CHICO, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2010**

	Capital Improvements	Chico Urban Area Joint Powers Financing Authority	Fleet Replacement and Facility Maintenance	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,724,684	\$ 6,249,295	\$ 46,766	\$ 9,020,745
Receivables:				
Interest	-	8,071	-	8,071
Accounts	16,904	-	-	16,904
Intergovernmental	1,893	-	-	1,893
Loans	-	-	580,584	580,584
Deposits with others	571,379	-	-	571,379
Due from other funds	-	-	2,829,845	2,829,845
Advances to other funds	-	-	1,400,000	1,400,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,314,860</u>	<u>\$ 6,257,366</u>	<u>\$ 4,857,195</u>	<u>\$ 14,429,421</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 17,137	\$ -	\$ 164,868	\$ 182,005
Accrued salaries and benefits	100,580	-	13	100,593
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>117,717</u>	<u>-</u>	<u>164,881</u>	<u>282,598</u>
Fund balances:				
Reserved for:				
Encumbrances	48,623	-	-	48,623
Deposits with others	571,379	-	-	571,379
Loans receivable	-	-	580,584	580,584
Advances to other funds	-	-	1,400,000	1,400,000
Unreserved/undesignated	2,577,141	6,257,366	2,711,730	11,546,237
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>3,197,143</u>	<u>6,257,366</u>	<u>4,692,314</u>	<u>14,146,823</u>
Total liabilities and fund balances	<u>\$ 3,314,860</u>	<u>\$ 6,257,366</u>	<u>\$ 4,857,195</u>	<u>\$ 14,429,421</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Capital Improvements	Chico Urban Area Joint Powers Financing Authority	Fleet Replacement and Facility Maintenance	Total Nonmajor Capital Projects Funds
<b>REVENUES:</b>				
Charges for services	\$ 136,381	\$ -	\$ -	\$ 136,381
Use of money and property	23,496	37,432	35,281	96,209
Total revenues	<u>159,877</u>	<u>37,432</u>	<u>35,281</u>	<u>232,590</u>
<b>EXPENDITURES:</b>				
Current:				
General government	9,023	-	281,030	290,053
Public works	314,523	7,170	-	321,693
Capital outlay	1,306,312	1,923,348	485,114	3,714,774
Total expenditures	<u>1,629,858</u>	<u>1,930,518</u>	<u>766,144</u>	<u>4,326,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,469,981)</u>	<u>(1,893,086)</u>	<u>(730,863)</u>	<u>(4,093,930)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	300,000	1,900,000	636,024	2,836,024
Proceeds of long-term debt	-	2,345,047	-	2,345,047
Total other financing sources (uses)	<u>300,000</u>	<u>4,245,047</u>	<u>636,024</u>	<u>5,181,071</u>
Net change in fund balances	(1,169,981)	2,351,961	(94,839)	1,087,141
Fund balances, beginning of year	<u>4,367,124</u>	<u>3,905,405</u>	<u>4,787,153</u>	<u>13,059,682</u>
Fund balances, end of year	<u>\$ 3,197,143</u>	<u>\$ 6,257,366</u>	<u>\$ 4,692,314</u>	<u>\$ 14,146,823</u>

**CITY OF CHICO, CALIFORNIA  
CAPITAL IMPROVEMENTS FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	<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	\$ 228,047	\$ 192,047	\$ 136,381	\$ (55,666)
Use of money and property	127,305	127,305	23,496	(103,809)
Total revenues	<u>355,352</u>	<u>319,352</u>	<u>159,877</u>	<u>(159,475)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	771,935	2,525,206	314,523	2,210,683
Capital outlay	-	1,684,094	1,306,312	377,782
Total expenditures	<u>771,935</u>	<u>4,209,300</u>	<u>1,629,858</u>	<u>2,579,442</u>
Excess (deficiency) of revenues over (under) expenditures	(416,583)	(3,889,948)	(1,469,981)	2,419,967
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance	(116,583)	(3,589,948)	(1,169,981)	2,419,967
Fund balance, beginning of year	<u>4,367,124</u>	<u>4,367,124</u>	<u>4,367,124</u>	<u>2,793,263</u>
Fund balance, end of year	<u>\$ 4,250,541</u>	<u>\$ 777,176</u>	<u>\$ 3,197,143</u>	<u>\$ 5,213,230</u>

**CITY OF CHICO, CALIFORNIA**  
**CHICO URBAN AREA JOINT POWERS FINANCING AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	\$ 50,000	\$ 35,000	\$ 37,432	\$ 2,432
<b>EXPENDITURES:</b>				
Current:				
Public works	10,001	10,001	7,170	2,831
Capital outlay	4,102,445	6,408,030	1,923,348	4,484,682
Total expenditures	4,112,446	6,418,031	1,930,518	4,487,513
Excess (deficiency) of revenues over (under) expenditures	(4,062,446)	(6,383,031)	(1,893,086)	4,489,945
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,900,000	1,900,000	1,900,000	-
Proceeds of long-term debt	3,333,083	2,552,088	2,345,047	(207,041)
Total other financing sources (uses)	5,233,083	4,452,088	4,245,047	(207,041)
Net change in fund balance	1,170,637	(1,930,943)	2,351,961	4,282,904
Fund balance, beginning of year	3,905,405	3,905,405	3,905,405	(983,192)
Fund balance, end of year	<u>\$ 5,076,042</u>	<u>\$ 1,974,462</u>	<u>\$ 6,257,366</u>	<u>\$ 3,299,712</u>

**CITY OF CHICO, CALIFORNIA**  
**FLEET REPLACEMENT AND FACILITY MAINTENANCE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

	<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>\$ 163,848</u>	<u>\$ 163,848</u>	<u>\$ 35,281</u>	<u>\$ (128,567)</u>
EXPENDITURES:				
Current:				
General government	2,007,677	2,751,637	281,030	2,470,607
Capital outlay	<u>485,114</u>	<u>485,114</u>	<u>485,114</u>	<u>-</u>
Total expenditures	<u>2,492,791</u>	<u>3,236,751</u>	<u>766,144</u>	<u>2,470,607</u>
Excess (deficiency) of revenues over (under) expenditures	(2,328,943)	(3,072,903)	(730,863)	2,342,040
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>636,024</u>	<u>636,024</u>	<u>636,024</u>	<u>-</u>
Net change in fund balance	(1,692,919)	(2,436,879)	(94,839)	2,342,040
Fund balance, beginning of year	<u>4,787,153</u>	<u>4,787,153</u>	<u>4,787,153</u>	<u>793,072</u>
Fund balance, end of year	<u><u>\$ 3,094,234</u></u>	<u><u>\$ 2,350,274</u></u>	<u><u>\$ 4,692,314</u></u>	<u><u>\$ 3,135,112</u></u>



## **INTERNAL SERVICE FUNDS**

### **Self Insurance**

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

### **Central Garage**

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

### **Municipal Building Maintenance**

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

### **Information Services**

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



**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2010**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,062,041	\$ -	\$ 73,367	\$ 7,707	\$ 1,143,115
Receivables:					
Accounts	38	-	-	-	38
Intergovernmental	-	49,623	-	-	49,623
Due from other funds	1,508,919	-	-	-	1,508,919
Inventories	-	45,696	-	-	45,696
Other assets	149,345	-	-	1,900	151,245
Total current assets	<u>2,720,343</u>	<u>95,319</u>	<u>73,367</u>	<u>9,607</u>	<u>2,898,636</u>
Noncurrent assets:					
Restricted cash and investments	90,000	-	-	-	90,000
Advances to other funds	5,800,000	-	-	200,000	6,000,000
Land and construction in progress	-	30,391	-	-	30,391
Other capital assets, net of accumulated depreciation	-	59,292	-	14,057	73,349
Total noncurrent assets	<u>5,890,000</u>	<u>89,683</u>	<u>-</u>	<u>214,057</u>	<u>6,193,740</u>
 Total assets	 <u>8,610,343</u>	 <u>185,002</u>	 <u>73,367</u>	 <u>223,664</u>	 <u>9,092,376</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	177,107	78,447	41,014	11,138	307,706
Accrued salaries and benefits	38,531	24,613	8,906	42,964	115,014
Intergovernmental payable	-	-	-	8,946	8,946
Due to other funds	-	29,518	-	-	29,518
Compensated absences - current portion	3,260	4,689	2,097	14,365	24,411
Claims liability - current portion	1,925,897	-	-	-	1,925,897
Total current liabilities	<u>2,144,795</u>	<u>137,267</u>	<u>52,017</u>	<u>77,413</u>	<u>2,411,492</u>
Noncurrent liabilities:					
Compensated absences	33,195	47,735	21,350	146,251	248,531
Claims liability	3,857,559	-	-	-	3,857,559
Total noncurrent liabilities	<u>3,890,754</u>	<u>47,735</u>	<u>21,350</u>	<u>146,251</u>	<u>4,106,090</u>
 Total liabilities	 <u>6,035,549</u>	 <u>185,002</u>	 <u>73,367</u>	 <u>223,664</u>	 <u>6,517,582</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	89,683	-	14,057	103,740
Unrestricted	2,574,794	(89,683)	-	(14,057)	2,471,054
 Total net assets	 <u>\$ 2,574,794</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,574,794</u>

**CITY OF CHICO, CALIFORNIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>OPERATING REVENUES:</b>					
Charges for services - internal	\$ 3,627,243	\$ 1,675,887	\$ 899,008	\$ 2,062,471	\$ 8,264,609
Charges for services - external	-	427,837	-	-	427,837
Total operating revenues	<u>3,627,243</u>	<u>2,103,724</u>	<u>899,008</u>	<u>2,062,471</u>	<u>8,692,446</u>
<b>OPERATING EXPENSES:</b>					
Salaries and benefits	1,232,940	755,093	365,322	1,331,861	3,685,216
Materials and supplies	852	1,207,441	244,831	27,986	1,481,110
Purchased services	1,008,556	76,835	246,860	375,816	1,708,067
Other expenses	947,188	50,901	32,421	242,467	1,272,977
Depreciation	-	8,903	-	84,341	93,244
Total operating expenses	<u>3,189,536</u>	<u>2,099,173</u>	<u>889,434</u>	<u>2,062,471</u>	<u>8,240,614</u>
Operating income	<u>437,707</u>	<u>4,551</u>	<u>9,574</u>	<u>-</u>	<u>451,832</u>
<b>NONOPERATING REVENUES:</b>					
Investment earnings	42,458	-	-	-	42,458
Miscellaneous	112,339	4,375	-	-	116,714
Total nonoperating revenues	<u>154,797</u>	<u>4,375</u>	<u>-</u>	<u>-</u>	<u>159,172</u>
Income before contributions and transfers	592,504	8,926	9,574	-	611,004
Transfers out	<u>(30,228)</u>	<u>(8,926)</u>	<u>(9,574)</u>	<u>-</u>	<u>(48,728)</u>
Change in net assets	562,276	-	-	-	562,276
Net assets, beginning of year	<u>2,012,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,012,518</u>
Net assets, end of year	<u>\$ 2,574,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,574,794</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2010**

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from services provided	\$ 3,739,616	\$ 2,164,005	\$ 899,008	\$ 2,062,471	8,865,100
Payments to suppliers and claimants	(2,082,313)	(1,342,723)	(537,696)	(693,153)	(4,655,885)
Payments to employees	(1,198,987)	(747,736)	(364,704)	(1,316,320)	(3,627,747)
Net cash provided (used) by operating activities	<u>458,316</u>	<u>73,546</u>	<u>(3,392)</u>	<u>52,998</u>	<u>581,468</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Interfund borrowings	(1,663,665)	(64,620)	-	(285,050)	(2,013,335)
Transfers out	(30,228)	(8,926)	(9,574)	-	(48,728)
Net cash provided (used) by noncapital financing activities	<u>(1,693,893)</u>	<u>(73,546)</u>	<u>(9,574)</u>	<u>(285,050)</u>	<u>(2,062,063)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	42,458	-	-	-	42,458
Net increase (decrease) in cash and cash equivalents	(1,193,119)	-	(12,966)	(232,052)	(1,438,137)
Cash and cash equivalents, beginning of year	2,345,160	-	86,333	239,759	2,671,252
Cash and cash equivalents, end of year	<u>\$ 1,152,041</u>	<u>\$ -</u>	<u>\$ 73,367</u>	<u>\$ 7,707</u>	<u>\$ 1,233,115</u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS:</b>					
Cash and investments	\$ 1,062,041	\$ -	\$ 73,367	\$ 7,707	\$ 1,143,115
Restricted cash and investments	90,000	-	-	-	90,000
CASH AND INVESTMENTS, end of year	<u>\$ 1,152,041</u>	<u>\$ -</u>	<u>\$ 73,367</u>	<u>\$ 7,707</u>	<u>\$ 1,233,115</u>

**CITY OF CHICO, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2010**

	<u>Self Insurance</u>	<u>Central Garage</u>	<u>Municipal Building Maintenance</u>	<u>Information Services</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income	\$ 437,707	\$ 4,551	\$ 9,574	\$ -	\$ 451,832
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	-	8,903	-	84,341	93,244
Miscellaneous revenue	112,339	4,375	-	-	116,714
Changes in assets and liabilities:					
Accounts receivable	34	48	-	-	82
Intergovernmental receivable	-	55,858	-	-	55,858
Other assets	3,663	-	-	13,554	17,217
Inventories	-	4,778	-	-	4,778
Accounts payable	30,626	(12,324)	(13,584)	(32,875)	(28,157)
Accrued salaries and benefits	33,481	7,335	414	10,341	51,571
Intergovernmental payable	-	-	-	(27,563)	(27,563)
Compensated absences	472	22	204	5,200	5,898
Claims liability	(160,006)	-	-	-	(160,006)
Total adjustments	<u>20,609</u>	<u>68,995</u>	<u>(12,966)</u>	<u>52,998</u>	<u>129,636</u>
Net cash provided (used) by operating activities	<u>\$ 458,316</u>	<u>\$ 73,546</u>	<u>\$ (3,392)</u>	<u>\$ 52,998</u>	<u>\$ 581,468</u>



**CITY OF CHICO, CALIFORNIA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2010**

	Assessment Districts			Balance, June 30, 2010
	Balance, July 1, 2009	Additions	Deletions	
<b>ASSETS</b>				
Restricted cash and investments	\$ 788,044	\$ 127,862	\$ (118,435)	\$ 797,471
Receivables:				
Property taxes	3,165	189	(3,165)	189
Loans	105,937	-	(6,621)	99,316
	<u>\$ 897,146</u>	<u>\$ 128,051</u>	<u>\$ (128,221)</u>	<u>\$ 896,976</u>
Total assets				
	<u>\$ 897,146</u>	<u>\$ 128,051</u>	<u>\$ (128,221)</u>	<u>\$ 896,976</u>
<b>LIABILITIES</b>				
Special assessment deposits	<u>\$ 897,146</u>	<u>\$ 128,051</u>	<u>\$ (128,221)</u>	<u>\$ 896,976</u>

	Totals			Balance, June 30, 2010
	Balance, July 1, 2009	Additions	Deletions	
<b>ASSETS</b>				
Restricted cash and investments	\$ 788,044	\$ 127,862	\$ (118,435)	\$ 797,471
Receivables:				
Property taxes	3,165	189	(3,165)	189
Loans	105,937	-	(6,621)	99,316
	<u>\$ 897,146</u>	<u>\$ 128,051</u>	<u>\$ (128,221)</u>	<u>\$ 896,976</u>
Total assets				
	<u>\$ 897,146</u>	<u>\$ 128,051</u>	<u>\$ (128,221)</u>	<u>\$ 896,976</u>
<b>LIABILITIES</b>				
Special assessment deposits	<u>\$ 897,146</u>	<u>\$ 128,051</u>	<u>\$ (128,221)</u>	<u>\$ 896,976</u>

## STATISTICAL SECTION (UNAUDITED)

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

<b>Contents:</b>	<b>Page</b>
Financial Trends	105-109
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	110-114
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	
Debt Capacity	115-119
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	120-121
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	122-124
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

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



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

	<b>Fiscal Year</b>							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ (8,611) <sup>1</sup>	\$ 127,868 <sup>2</sup>	\$ 140,733	\$ 174,427	\$ 192,459	\$ 219,235	\$ 222,778	\$ 216,288
Restricted	35,552	34,791	40,001	59,257	62,168	70,687	77,167	80,689
Unrestricted	24,341	24,906	26,304	15,690	14,721	(12,704)	(30,894)	(42,420)
Total governmental activities net assets	<u>\$ 51,282</u>	<u>\$ 187,565</u>	<u>\$ 207,038</u>	<u>\$ 249,374</u>	<u>\$ 269,348</u>	<u>\$ 277,218</u>	<u>\$ 269,051</u>	<u>\$ 254,557</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 39,119	\$ 57,241	\$ 59,957	\$ 65,141	\$ 69,059	\$ 78,806	\$ 99,653	\$ 107,633
Restricted	-	-	232	235	236	1,543	2,764	1,935
Unrestricted	5,223	4,641	3,248	2,362	2,914	705	(3,422)	(3,427)
Total business-type activities net assets	<u>\$ 44,342</u>	<u>\$ 61,883</u>	<u>\$ 63,438</u>	<u>\$ 67,738</u>	<u>\$ 72,209</u>	<u>\$ 81,054</u>	<u>\$ 98,995</u>	<u>\$ 106,141</u>
Primary government								
Invested in capital assets, net of related debt	\$ 30,508	\$ 185,110	\$ 200,691	\$ 239,568	\$ 261,518	\$ 298,041	\$ 322,431	\$ 323,921
Restricted	35,552	34,791	40,233	59,492	62,404	72,230	79,931	82,625
Unrestricted	29,564	29,547	29,552	18,052	17,636	(11,999)	(34,316)	(45,847)
Total primary government net assets	<u>\$ 95,624</u>	<u>\$ 249,447</u>	<u>\$ 270,476</u>	<u>\$ 317,113</u>	<u>\$ 341,558</u>	<u>\$ 358,272</u>	<u>\$ 368,046</u>	<u>\$ 360,699</u>

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

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

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

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental activities:								
General government	\$ 5,658	\$ 5,107	\$ 4,268	\$ 4,704	\$ 5,543	\$ 5,488	\$ 2,017	\$ 1,885
Public safety	24,316	26,359	27,042	30,014	34,654	38,071	38,423	38,146
Public works	4,711	7,868	9,061	11,810	16,055	18,714	17,116	16,244
Parks and recreation	2,725	3,083	2,939	3,161	3,098	4,002	4,011	3,521
Community development	2,403	2,123	2,905	3,754	5,940	4,713	5,298	4,652
Community agencies	-	-	505 <sup>1</sup>	626	814	852	766	465
Redevelopment	5,939	7,990	8,707	15,056 <sup>2</sup>	17,642	21,344	15,159	24,926 <sup>12</sup>
Interest on long-term debt	3,525	3,384	3,301	5,288 <sup>3</sup>	6,409	5,900	6,145	7,036
Total governmental activities expenses	49,277	55,914	58,728	74,413	90,155	99,084	88,935	96,875
Business-type activities:								
Sewer	5,771	6,011	6,452	6,694	7,275	7,785	8,444	8,815
Parking	728	741	739	894	847	822	1,726	813
Private development	3,658	3,975	4,643	4,921	4,490	4,560	4,528	4,097
Airport	988	810	818	972	1,080	1,406	1,447	1,451
Transit	2,893	3,617	3,753	28 <sup>4</sup>	40	-	-	-
Waste management	88	91	1 <sup>5</sup>	2	2	2	-	-
Total business-type activities expenses	14,126	15,245	16,406	13,511	13,734	14,575	16,145	15,176
Total primary government expenses	63,403	71,159	75,134	87,924	103,889	113,659	105,080	112,051
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government	194	151	236	221	360	238	206	171
Public safety	849	1,015	1,142	1,145	1,163	1,282	1,392	1,197
Public works	737	1,070	1,086	1,492	2,575	2,656	1,622	1,594
Community development	7,137	8,679	7,242	9,284	6,480	5,330	2,468	2,714
Other activities	24	34	122	53	108	156	177	156
Operating grants and contributions	3,463	3,295	5,193	7,493 <sup>6</sup>	8,880	9,724	10,252	11,669
Capital grants and contributions	10,257	12,291	10,854	38,301 <sup>7</sup>	20,655	18,359	11,914	4,545
Total governmental activities program revenues	22,661	26,535	25,875	57,989	40,221	37,745	28,031	22,046
Business-type activities:								
Charges for services:								
Sewer	4,885	5,138	6,814	7,108	7,676	7,830	8,444	8,587
Private development	3,274	3,536	3,737	4,397	4,048	3,324	2,270	1,766
Other activities	1,701	1,811	1,725	1,617	1,988	1,635	1,626	1,577
Operating grants and contributions	2,151	2,958	3,827	- <sup>4</sup>	-	-	12	0
Capital grants and contributions	58	2,660	427	1,905	2,023	761	811	1,346
Total business-type activities program revenues	12,069	16,103	16,530	15,027	15,735	13,550	13,163	13,276
Total primary government program revenues	34,730	42,638	42,405	73,016	55,956	51,295	41,194	35,322
Net (expenses)/revenue								
Governmental activities	(26,616)	(29,379)	(32,853)	(16,424)	(49,934)	(61,339)	(60,904)	(74,829)
Business-type activities	(2,058)	858	125	1,516	2,003	(1,025)	(2,982)	(1,900)
Total primary government net expense	\$ (28,674)	\$ (28,521)	\$ (32,728)	\$ (14,908)	\$ (47,931)	\$ (62,364)	\$ (63,886)	\$ (76,729)

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	\$ 13,847	\$ 16,087	\$ 21,442	\$ 30,319 <sup>8,10</sup>	\$ 37,062	\$ 41,285	\$ 43,479	\$ 43,295
Sales and use tax	13,989	14,822	12,416 <sup>8</sup>	13,044	12,833	13,003	11,728	11,082
Sales tax in-lieu	-	-	3,411 <sup>8</sup>	4,381	4,290	4,350	3,893	3,708
Utility users tax	4,679	5,207	5,334	5,912	6,207	6,745	6,904	6,691
Other taxes	2,680	2,938	3,243	3,610	3,837	3,972	3,930	3,676
Unrestricted grants and contributions	3,907	3,090	5,734	472 <sup>9</sup>	1,201	923	823	716
Unrestricted investment earnings	1,898	1,287	1,654	3,637	6,190	5,525	2,939	336
Miscellaneous	759	718	198	509	608	159	(44)	30
Transfers	1,213	(16,595)	(1,365)	(4,636)	(2,321)	(9,837) <sup>11</sup>	(20,915) <sup>11</sup>	(9,199) <sup>11</sup>
Total governmental activities	42,972	27,554	52,067	57,248	69,907	66,125	52,737	60,335
Business-type activities:								
Unrestricted investment earnings	142	69	65	100	150	33	8	(16)
Miscellaneous	123	19	1	(2,809)	-	-	0	0
Transfers	(1,213)	16,595	1,365	4,636	2,321	9,837 <sup>11</sup>	20,915 <sup>11</sup>	9,062 <sup>11</sup>
Total business-type activities	(948)	16,683	1,431	1,927	2,471	9,870	20,922	9,046
Total primary government	\$ 42,024	\$ 44,237	\$ 53,498	\$ 59,175	\$ 72,378	\$ 75,995	\$ 73,660	\$ 69,381
<b>Change in Net Assets</b>								
Governmental activities	\$ 16,356	\$ (1,827)	\$ 19,210	\$ 40,825	\$ 19,974	\$ 4,785	\$ (8,167)	\$ (14,494)
Business-type activities	(3,005)	17,540	1,555	3,442	4,471	8,845	17,940	7,146
Total primary government	\$ 13,351	\$ 15,713	\$ 20,765	\$ 44,267	\$ 24,445	\$ 13,630	\$ 9,774	\$ (7,348)

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

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

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

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

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

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

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

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

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

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

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

<sup>11</sup> The increase in transfers was due to construction of the Water Pollution Control Plant and the subsequent transfer of those assets to the Sewer Fund.

<sup>12</sup> The increase in Redevelopment expenses was due to the State "take" of \$9,248,048 in Redevelopment Funds, also known as SERAF (Supplemental Revenue Augmentation Funds).

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

	<b>Fiscal Year</b>							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund								
Reserved	\$ 236	\$ 85	\$ 358	\$ 440	\$ 124	\$ 536	\$ 2,761	\$ 143
Unreserved	<u>8,342</u>	<u>9,010</u>	<u>11,394</u>	<u>9,944</u>	<u>10,595</u>	<u>11,662</u>	<u>6,830</u>	<u>6,755</u>
Total General fund	<u>\$ 8,578</u>	<u>\$ 9,095</u>	<u>\$ 11,752</u>	<u>\$ 10,384</u>	<u>\$ 10,719</u>	<u>\$ 12,198</u>	<u>\$ 9,591</u>	<u>\$ 6,898</u>
All other governmental funds								
Reserved	\$ 25,403	\$ 25,840	\$ 35,123	\$ 49,060	\$ 47,368	\$ 53,714	\$ 56,876	\$ 65,689
Unreserved, reported in:								
Special revenue funds	1,628	1,916	702	1,298	4,224	52,551 <sup>1</sup>	21,815	8,318
Capital projects funds	<u>39,756</u>	<u>35,893</u>	<u>28,679</u>	<u>83,769</u>	<u>72,210</u>	<u>17,633</u> <sup>1</sup>	<u>33,530</u>	<u>27,919</u>
Total all other governmental funds	<u>\$ 66,787</u>	<u>\$ 63,649</u>	<u>\$ 64,504</u>	<u>\$ 134,127</u>	<u>\$ 123,802</u>	<u>\$ 123,898</u>	<u>\$ 112,221</u>	<u>\$ 101,926</u>

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

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

<sup>1</sup> Changes were due primarily to the reclassification of the Redevelopment Agency Fund (blended component unit) to a Major Special Revenue Fund in the City's CAFR.

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

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>								
Property taxes	\$ 13,847	\$ 16,087	\$ 21,442	\$ 30,319	\$ 37,062	\$ 41,285	\$ 43,479	\$ 43,295
Sales and use taxes	13,989	14,822	15,826	17,425	17,122	17,353	15,622	14,790
Other taxes	7,348	8,120	8,577	9,522	10,044	10,713	10,701	10,256
Licenses and permits	59	68	79	87	105	104	111	108
Intergovernmental	9,135	9,477	11,831	12,647	14,796	15,954	14,967	14,452
Charges for services	8,071	9,952	8,524	11,032	8,692	7,579	3,933	4,300
Fines, forfeitures, and penalties	774	774	908	887	875	898	895	817
Use of money and property	2,288	1,720	2,165	3,958	6,450	5,659	3,205	1,199
Miscellaneous	3,343	782	584	289	533	289	588	309
<b>Total revenues</b>	<b>58,854</b>	<b>61,802</b>	<b>69,936</b>	<b>86,166</b>	<b>95,679</b>	<b>99,834</b>	<b>93,501</b>	<b>89,526</b>
<b>Expenditures</b>								
General government	4,028	3,802	3,897	4,550	5,225	5,188	1,775	1,768
Public safety	22,905	25,095	25,944	29,851	33,514	35,876	36,187	36,925
Public works	4,465	4,282	5,118	7,483	9,637	8,993	8,654	7,898
Parks and recreation	2,494	2,816	2,640	2,873	2,720	3,409	3,502	3,086
Community development	2,382	2,102	2,875	3,777	5,963	4,692	5,271	4,651
Community agencies	699	661	505	628	814	851	764	467
Redevelopment	5,950	7,957	8,674	15,064	17,333	13,416	15,113	15,805
Contribution to other governments	-	-	-	-	-	-	-	9,248
Capital outlay	8,461	13,035	14,012	16,239	23,279	28,400	41,745	21,768
Debt service								
Principal retirement	2,265	2,509	2,713	2,808	3,072	3,888	4,024	4,242
Interest and fiscal charges	3,661	3,419	3,339	4,445	6,378	5,792	5,935	5,794
Bond issuance and fiscal agent fees	-	-	-	1,328	-	510	-	-
Advanced refunding of bonds	-	-	-	-	-	59	-	-
<b>Total expenditures</b>	<b>57,310</b>	<b>65,678</b>	<b>69,717</b>	<b>89,046</b>	<b>107,935</b>	<b>111,074</b>	<b>122,970</b>	<b>111,652</b>
Excess of revenues over (under) expenditures	1,544	(3,876)	219	(2,880)	(12,256)	(11,240)	(29,469)	(22,126)
<b>Other financing sources (uses)</b>								
Transfers in	10,529	10,577	10,594	13,997	15,917	36,333	7,442	9,413
Transfers out	(8,972)	(9,320)	(8,080)	(13,262)	(14,081)	(34,188)	(7,398)	(9,364)
Revenue bonds issued	-	-	-	68,500	-	23,405	-	-
Premium on revenue bonds	-	-	-	999	-	-	-	-
Proceeds from sale of capital assets	-	-	517	900	432	-	-	-
Discount on refunding bonds	-	-	-	-	-	(15)	-	-
Payment to refunding bond escrow	-	-	-	-	-	(22,870)	-	-
Proceeds of long-term debt	-	-	-	-	-	8,065	18,221	9,089
<b>Total other financing sources (uses)</b>	<b>1,557</b>	<b>1,257</b>	<b>3,031</b>	<b>71,134</b>	<b>2,268</b>	<b>10,731</b>	<b>18,265</b>	<b>9,138</b>
<b>Net change in fund balance</b>	<b>\$ 3,101</b>	<b>\$ (2,619)</b>	<b>\$ 3,250</b>	<b>\$ 68,256</b>	<b>\$ (9,988)</b>	<b>\$ (510)</b>	<b>\$ (11,204)</b>	<b>\$ (12,988)</b>
Debt service as a percentage of noncapital expenditures	12%	11%	11%	12%	11%	12%	12%	11%

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

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

For further analysis, please reference the schedule of Changes in Net Assets on page 110-111, and the Management Discussion and Analysis (MD&A).

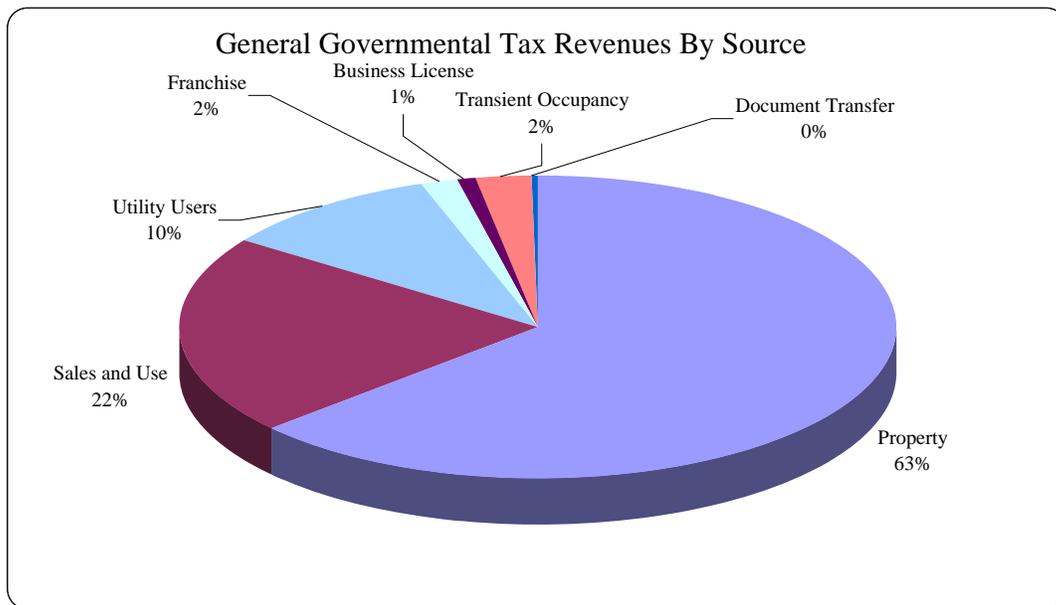
**City of Chico, California**  
**General Governmental Tax Revenues By Source**  
**Last Eight Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

Fiscal Year	Property	Sales and Use	Utility Users	Other Taxes				Total
				Franchise	Business License	Transient Occupancy	Document Transfer	
2003	\$ 13,847	\$13,989	\$ 4,679	\$ 784	\$ 274	\$ 1,315	\$ 296	\$ 35,184
2004	16,087	14,822	5,207	837	267	1,391	418	39,029
2005	21,442	15,826	5,334	900	425	1,452	466	45,845
2006	30,319	17,425	5,912	940	450	1,747	473	57,266
2007	37,062	17,122	6,207	1,046	486	1,895	409	64,227
2008	41,285	17,353	6,745	1,083	587	2,022	280	69,355
2009	43,479	15,622	6,904	1,268	511	1,953	198	69,935
2010	43,295	14,790	6,691	1,214	514	1,765	183	68,452

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

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

Source: City of Chico, Finance Department.



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

**City of Chico**

Fiscal Year				Gross Assessed			Total Direct	
	Secured Roll	Utility Roll	Unsecured Roll	Value	Less Exemptions	Net Assessed Value	Tax Rate %	
2001	\$ 2,995,245	\$ 4,089	\$ 291,724	\$ 3,291,058	\$ 253,692	\$ 3,037,366	1.0000	
2002	3,256,334	4,094	303,940	3,564,368	254,056	3,310,312	1.0000	
2003	3,559,473	2,170	315,542	3,877,185	262,686	3,614,499	1.0000	
2004	3,932,120	846	336,436	4,269,402	302,877	3,966,524	1.0000	
2005	4,472,678	884	348,836	4,822,398	342,550	4,479,848	1.0000	
2006	5,086,166	1,140	371,404	5,458,710	352,472	5,106,238	1.0000	
2007	5,759,484	980	398,951	6,159,415	343,081	5,816,334	1.0000	
2008	6,666,490	914	440,714	7,108,118	383,602	6,724,515	1.0000	
2009	7,215,181	889	467,931	7,684,001	376,298	7,307,703	1.0000	
2010	7,230,195	889	484,544	7,715,628	404,946	7,310,682	1.0000	

**Chico Redevelopment Agency**

Fiscal Year				Gross Assessed			Total Direct	
	Secured Roll	Utility Roll	Unsecured Roll	Value	Less Exemptions	Net Assessed Value	Tax Rate %	
2001	\$ 2,154,287	\$ 1,991	\$ 213,686	\$ 2,369,964	\$ 46,435	\$ 2,323,529	1.0000	
2002	2,263,183	2,003	222,337	2,487,523	46,755	2,440,768	1.0000	
2003	2,469,336	2,444	233,231	2,705,011	47,400	2,657,611	1.0000	
2004	2,643,572	1,131	252,330	2,897,033	48,084	2,848,949	1.0000	
2005	2,899,927	1,188	254,088	3,155,203	48,214	3,106,989	1.0000	
2006	3,253,883	1,401	276,631	3,531,915	48,868	3,483,047	1.0000	
2007	3,651,813	1,257	299,026	3,952,096	48,656	3,903,440	1.0000	
2008	3,928,803	842	329,286	4,258,931	48,730	4,210,201	1.0000	
2009	4,154,854	817	343,157	4,498,828	49,033	4,449,795	1.0000	
2010	4,175,272	817	351,035	4,527,124	48,700	4,478,424	1.0000	

Source: Butte County Auditor/Controller's Office.

Note:

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

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

Fiscal Year	City of Chico			Overlapping Rates		Total Direct and Overlapping Rates
	Basic Countywide Levy	City	Total Direct Tax Rate	Chico Unified School District (1)	Butte College (2)	
2001	1.00%	0.00%	1.00%	0.0508%	-	1.0508%
2002	1.00	0.00	1.00	0.0514	-	1.0514
2003	1.00	0.00	1.00	0.0456	0.0188%	1.0458
2004	1.00	0.00	1.00	0.0411	0.0171	1.0582
2005	1.00	0.00	1.00	0.0390	0.0160	1.0550
2006	1.00	0.00	1.00	0.0353	0.0209	1.0562
2007	1.00	0.00	1.00	0.0346	0.0209	1.0555
2008	1.00	0.00	1.00	0.0381	0.0209	1.0590
2009	1.00	0.00	1.00	0.0544	0.0209	1.0753
2010	1.00	0.00	1.00	0.0383	0.0209	1.0591

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

(1) Chico Unified School District: 1988 Building Fund Bond and subsequent refinancing.

(2) Butte-Glenn Community College District: General obligation bonds, 2002 Series A, B and C.

Source: Butte County Auditor/Controller's Office.

**City of Chico, California**  
**Principal Secured Property Taxpayers**  
**June 30, 2010**  
**Current Year and Nine Years Ago**  
**(amounts expressed in thousands)**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
Chico Mall LP	\$ 60,395	1	0.88%			
Chico Crossroads LP	29,763	2	0.43			
Carwood Skypark LLC	28,352	3	0.41			
Costco Wholesale Corporation	21,718	4	0.32			
Merle A. Webb and Sons	20,027	5	0.29			
Evergreen Orchard LLC	19,271	6	0.28			
California Water Service Company	18,564	7	0.27			
Lowes HIW Inc.	18,056	8	0.26			
Chico Lodging LLC	16,166	9	0.24			
Littlefoot Property Company LLC	15,278	10	0.22			
Equitable Life Assurance Society				\$ 31,199	1	1.14%
Pan Pacific Development LLC				21,367	2	0.78
Walker Senior Housing Corporation VII				21,298	3	0.78
Edward E. Wittmeier				12,594	4	0.46
Western Investment Real Estate Trust				12,554	5	0.46
Gregory L. Webb				11,837	6	0.43
1661 Forest Avenue Investors				11,510	7	0.42
Wal Mart Stores Inc.				11,177	8	0.41
Home Depot USA Inc.				10,104	9	0.37
J C Penney Properties Inc.				8,874	10	0.32
Largest Secured Property Valuation	247,590			152,514		
Other Secured Taxpayers	6,606,056			2,591,713		
<b>Total Secured Property Valuation - Net of Exemptions</b>	<b>\$ 6,853,646</b>		<b>100.00%</b>	<b>\$ 2,744,227</b>		<b>100.00%</b>

Source: Butte County Auditor/Controller's Office.  
HdL's "2000 and 2009/10 Top Property Taxpayers - Secured."

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

Fiscal Year	Percent of Levy			Delinquent Tax Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
	Total Tax Levy	Current Tax Collections	Collected (1)			
2001	\$ 11,299	\$ 11,299	100%	-	\$ 11,299	100%
2002	12,205	12,205	100	-	12,205	100
2003	13,847	13,847	100	-	13,847	100
2004	16,087	16,087	100	-	16,087	100
2005	21,442	21,442	100	-	21,442	100
2006	30,319	30,319	100	-	30,319	100
2007	37,062	37,062	100	-	37,062	100
2008	41,285	41,285	100	-	41,285	100
2009	43,479	43,479	100	-	43,479	100
2010	43,295	43,295	100	-	43,295	100

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

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

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

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Loans</b>	<b>Capital Leases</b>	<b>Revenue Bonds</b>	<b>Loans</b>			
2001	-	\$ 43,870	\$ 25,650	\$ 221	\$ 3,195	\$ 8,067	\$ 81,003	1.77%	\$ 1,239
2002	-	56,820	25,546	161	3,125	8,067	93,719	1.95	1,393
2003	-	55,470	24,631	224	3,055	7,778	91,158	1.86	1,326
2004	-	54,060	23,532	160	2,980	7,431	88,163	1.73	1,239
2005	-	52,465	22,414	92	2,420	7,078	84,469	1.54	1,148
2006	-	119,305	21,266	36	2,340	6,716	149,663	2.61	1,892
2007	-	117,410	20,089	12	2,255	6,344	146,110	2.40	1,847
2008	-	115,795	26,946	-	2,165	7,825	152,731	2.36	1,757
2009	-	113,010	43,928	-	1,030	11,641	169,609	2.51	1,951
2010	-	110,040	52,519	-	-	13,917	176,476	2.46	2,000

Note: Percentage of personal income is based on the calendar year information ending during that fiscal year for the Chico Metropolitan Statistical Area. Fiscal year 2010 is an estimate.

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

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

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Less: Amount</u> <u>Available in Debt</u> <u>Service Fund</u>	<u>Total</u>	<u>Percentage of</u> <u>Assessed</u> <u>Value</u>	<u>Per</u> <u>Capita</u>	<u>City</u> <u>Population</u>	<u>Net</u> <u>Assessed</u> <u>Value</u>
2001	-	-	-	-	-	65,391	\$ 3,037,366
2002	-	-	-	-	-	67,261	3,310,312
2003	-	-	-	-	-	68,722	3,614,499
2004	-	-	-	-	-	71,154	3,966,524
2005	-	-	-	-	-	73,558	4,479,848
2006	-	-	-	-	-	79,091	5,106,238
2007	-	-	-	-	-	84,396	5,816,334
2008	-	-	-	-	-	86,949	6,724,515
2009	-	-	-	-	-	87,713	7,307,703
2010	-	-	-	-	-	88,228	7,310,682

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

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

**City of Chico, California**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2010**  
**(amounts expressed in thousands)**

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City *	City Share of Debt
Overlapping Debt Repaid with Property Tax:			
Chico Unified School District	\$ 53,800	72.95%	\$ 39,247
Butte-Glenn Community College District	86,080	39.23%	<u>33,769</u>
Subtotal, overlapping debt			73,016
City of Chico direct debt			<u>162,559</u>
Total direct and overlapping debt			<u><u>\$ 235,575</u></u>

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

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

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Assessed Valuation (less other exemptions)	\$ 3,037,366	\$ 3,310,312	\$ 3,614,499	\$ 3,966,524	\$ 4,479,848	\$ 5,106,238	\$ 5,816,334	\$ 6,724,515	\$ 7,307,703	\$ 7,310,682
Debt Limit - 15 Percent of Assessed Valuation (1)	\$ 455,605	\$ 496,547	\$ 542,175	\$ 594,979	\$ 671,977	\$ 765,936	\$ 872,450	\$ 1,008,677	\$ 1,096,155	\$ 1,096,602
Amount of Debt Applicable to Debt Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 455,605	\$ 496,547	\$ 542,175	\$ 594,979	\$ 671,977	\$ 765,936	\$ 872,450	\$ 1,008,677	\$ 1,096,155	\$ 1,096,602
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Butte County Auditor/Controller's Office.

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

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

Fiscal Year	Parking Fund Bond (1)					Tax Allocation Bonds (2)			
	Gross Revenue	Operating Expenses	Net Revenue Available for Debt Service	Total Debt Service	Coverage	Tax Increment	Debt Service		Coverage
							Principal	Interest	
2001	\$ 748,078	\$ 317,785	\$ 430,293	\$ 263,748	1.63	\$ 9,346,265	\$ 930,000	\$ 2,597,169	2.65
2002	768,435	371,550	396,885	265,433	1.50	10,210,996	1,725,000	2,410,420	2.47
2003	759,113	398,446	360,667	261,758	1.38	10,758,412	1,350,000	2,844,755	2.56
2004	737,675	408,953	328,722	262,978	1.25	12,636,105	1,410,000	2,787,556	3.01
2005	792,161	440,059	352,102	243,746	1.44	18,679,113	1,595,000	2,726,934	4.32
2006	1,119,233	710,991	408,242	229,439	1.78	22,230,697	1,660,000	3,862,737	4.03
2007	1,161,331	639,478	521,853	229,799	2.27	27,149,432	1,895,000	5,825,416	3.52
2008	1,132,170	597,794	534,376	229,784	2.33	30,532,462	2,680,000	5,269,568	3.84
2009	1,030,118	686,311	343,807	219,384	1.57	32,047,126	2,785,000	5,443,522	3.89
2010	N/A	N/A	N/A	N/A	N/A	31,728,673	2,970,000	5,335,471	3.82

Source: City of Chico, Finance Department.

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

(2) 2001, 2005 and 2007 Tax Allocation Bonds.

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

Fiscal Year	City of Chico		Chico Metropolitan Statistical Area			
	City of Chico Population	City of Chico Unemploy- ment Rate (1)	Butte County Population (2)	Butte County Personal Income (thousands of dollars) (2)	Butte County Per Capita Personal Income (2)	Butte County Unemploy- ment Rate (3)
2001	65,391	6.3%	203,917	\$ 4,570,617	\$ 22,414	6.2%
2002	67,261	7.1	206,420	4,798,095	23,244	6.6
2003	68,722	7.5	209,488	4,899,283	23,387	7.4
2004	71,154	7.1	211,788	5,085,403	24,012	7.6
2005	73,558	6.5	213,472	5,496,275	25,747	7.4
2006	79,091	6.1	215,208	5,744,103	26,691	6.8
2007	84,396	6.2	217,586	6,099,731	28,034	6.2
2008	86,949	8.2	220,407	6,474,292	29,374	8.9
2009	87,713	11.9	220,748	6,752,580	30,590	12.8
2010	88,228	12.8	221,768	7,163,944	32,304	13.8

Note: Personal income and per capita personal income are based on the calendar year information ending during the fiscal year. Fiscal year 2010 is an estimate.

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

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

<u>Employer</u>	<u>2010*</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Enloe Medical Center	2,275	1	7.71%	2,100	1	7.29%
California State University, Chico	1,825	2	6.19	2,067	2	7.18
Chico Unified School District	1,400	3	4.75	1,324	3	4.60
City of Chico	438	4	1.48	397	6	1.38
Wal-Mart Stores Inc.	400	5	1.36	350	7	1.22
Sierra Nevada Brewery	325	6	1.10			-
Sun Gard Bi-Tech	200	7	0.68			-
Aero Union Corporation	175	8	0.59			-
Chico Enterprise Record	150	9	0.51			-
Smuckers	125	10	0.42			-
Fleetwood Motor Homes			-	525	4	1.82
Tri-Counties Bank			-	458	5	1.59
Ed Wittmeirer Auto Center			-	300	8	1.04
Safeway Stores			-	280	9	0.97
United Health Care			-	270	10	0.94
Total	<u>7,313</u>		<u>16.79%</u>	<u>8,071</u>		<u>27.55%</u>

\* No current data available for this statistic, therefore 2010 statistics are carried from the prior year except the City of Chico, which represents the actual 2010 amount. All numbers are estimates except the City of Chico amounts.

Source: Chico Chamber of Commerce.

Note: Data provided may include employers with locations throughout Butte County. As a result, the number of employees working in Chico may differ from total employees listed.

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

<b>Function</b>	<b>Full-time and Part-time Employees</b>									
	<u><b>2001</b></u>	<u><b>2002</b></u>	<u><b>2003</b></u>	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2009</b></u>	<u><b>2010</b></u>
General government	50	52	50	50	53	56	54	57	55	52
Public safety										
Police	127	141	141	140	142	151	159	157	151	155
Fire	66	66	69	69	69	72	74	74	74	74
Public works	65	67	70	72	72	76	79	72	70	66
Parks and recreation	27	28	28	26	26	28	27	23	23	24
Community development	4	4	4	4	4	4	4	4	5	6
Sewer	17	17	17	17	17	18	17	17	16	16
Parking	2	2	2	2	2	2	2	2	2	2
Private development	39	38	35	41	40	44	46	46	45	43
Airport	1	1	1	1	1	1	1	1	1	0
<b>Total</b>	<b>397</b>	<b>416</b>	<b>417</b>	<b>422</b>	<b>426</b>	<b>452</b>	<b>463</b>	<b>453</b>	<b>442</b>	<b>438</b>

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

Source: City of Chico, Annual Budgets.

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

Function	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police										
Calls for service*	84,816	95,675	99,143	105,845	107,271	105,942	108,939	115,373	119,469	116,037
Arrests*	4,756	4,780	4,196	4,550	4,562	5,085	5,562	6,110	6,249	6,100
Fire										
Service calls answered*	505	700	703	565	645	571	759	747	856	701
Medical emergencies*	3,668	4,265	4,242	4,707	4,874	5,744	6,100	6,688	7,227	7,714
Public works										
Street resurfacing (tons of asphalt)	999	1,367	2,030	2,235	1,952	2,866	1,801	1,161	1,072	780
Community development										
Annexation activity (net acreage)*	12,837	13,101	13,302	13,554	13,729	14,413	15,736	15,963	16,192	16,192
Code violation notices issued	267	548	651	503	490	585	523	693	710	699
Sewer										
Maximum daily treatment capacity (million gallons)	9	9	9	9	9	9	9	9	9	12
Parking										
Parking meter repairs	576	708	796	1,648	1,296	900	1,058	707	740	672
Private development										
Residential building permits	386	513	662	593	498	471	340	225	126	132
Commercial building permits	50	43	52	56	105	95	26	20	12	60
Airport										
Passengers per year (loading/unloading)	54,338	41,335	34,947	34,197	36,963	36,322	51,153	50,376	47,992	30,531 <sup>1</sup>
Transit										
Passengers per year (Chico Area Transit)	810,585	852,112	823,458	866,825	833,982	-	-	-	-	-
Passengers per year (Clipper)	62,467	60,381	60,523	59,211	59,097	-	-	-	-	-
Total										

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

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

Source: City of Chico departments.

1 - Represents passengers through March 31, 2010 (3/4 of the fiscal year).

\* These statistics only available on a calendar year basis.

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

<b>Function</b>	<b>Fiscal Year</b>									
	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol cars	18	18	20	21	23	24	23	23	25	25
Fire										
Fire stations	5	5	5	5	5	5	5	6	6	6
Fire hydrants*	2,373	2,438	2,556	2,686	2,761	2,846	2,905	3,023	3,160	3,197
Public works										
Street (miles)**	202.2	206.3	209	215.2	217.5	233.1	243.3	254.8	256.6	257
Traffic signals	92	92	92	93	93	94	97	98	98	98
Parks and recreation										
Park acreage	3754.9	3758.4	3758.4	3758.4	3758.4	3758.4	3758.4	3758.4	3758.4	3751.2
Sewer										
Sanitary sewer (miles)	194.4	195.2	196.4	198.8	199.9	204.5	208.4	210.2	211.95	212.43
Storm sewer (miles)	199.6	200.4	201.1	203.3	205.5	212.0	215.5	218.8	220.73	221.32
Parking										
Parking lots	5	5	5	5	5	5	5	5	5	5
Parking structures	1	1	1	1	1	1	1	1	1	1
Airport										
Runway lengths 13L/31R (feet)	6722	6722	6722	6722	6722	6722	6722	6724	6724	6724
Runway lengths 13R/31L (feet)	3005	3005	3005	3005	3005	3005	3005	3000	3000	3000
Transit										
Clipper buses	18	18	18	20	20	-	-	-	-	-
Cats buses	8	8	17	11	11	-	-	-	-	-

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

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

Source: Various City of Chico departments.

\*Data available for calendar year only.

\*\* Based on survey report for previous year (2009).