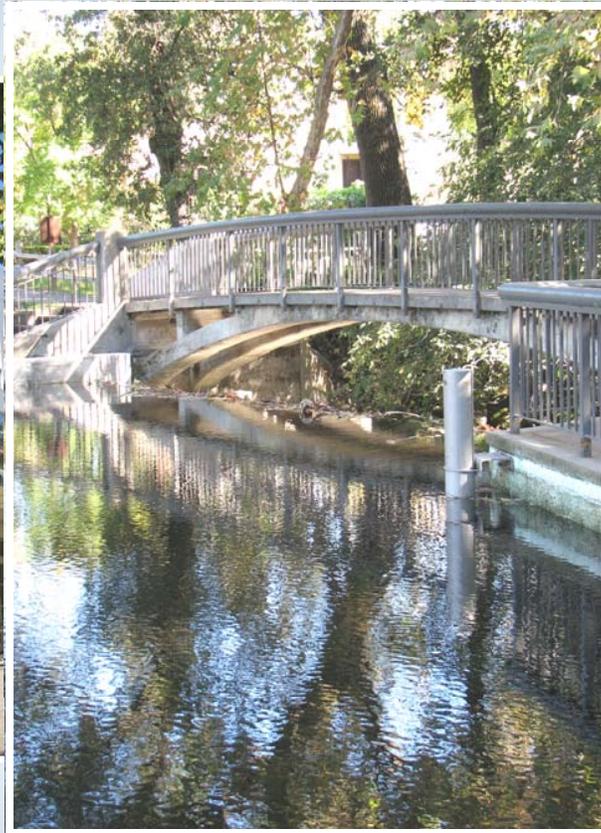


City of Chico



Comprehensive Annual Financial Report 2008 - 2009

For the fiscal year ended June 30, 2009



CITY OF CHICO
CHICO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009

Prepared by:
Chico Finance Department

CITY OF CHICO, CALIFORNIA
June 30, 2009

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June 30, 2009

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FINANCE OFFICE

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

October 16, 2009

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, 2009. 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, 2009, 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.

With its “Big City Taste, Small Town Flavor,”¹ 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.

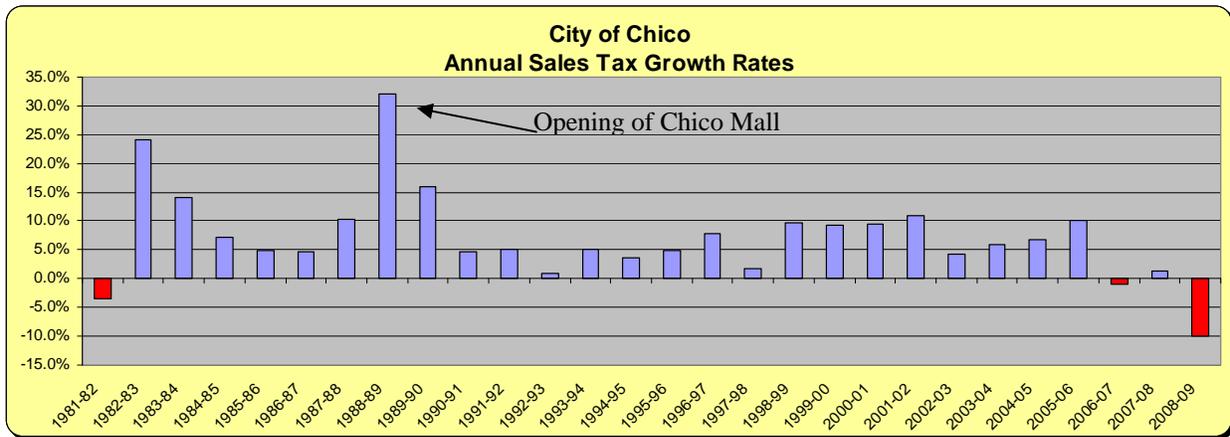
Chico’s Economic Condition

Local Economy

The current national recession has proven to be the longest and deepest since World War II with staggering unemployment rates, the near collapse of the financial industry and an unprecedented national deficit. While indicators show that the national recession has bottomed-out and recovery has begun, many economists predict California’s recession to continue for a number of years, due to the severity of the housing market downturn and California’s unemployment rate of 12.%, as of September 2009.

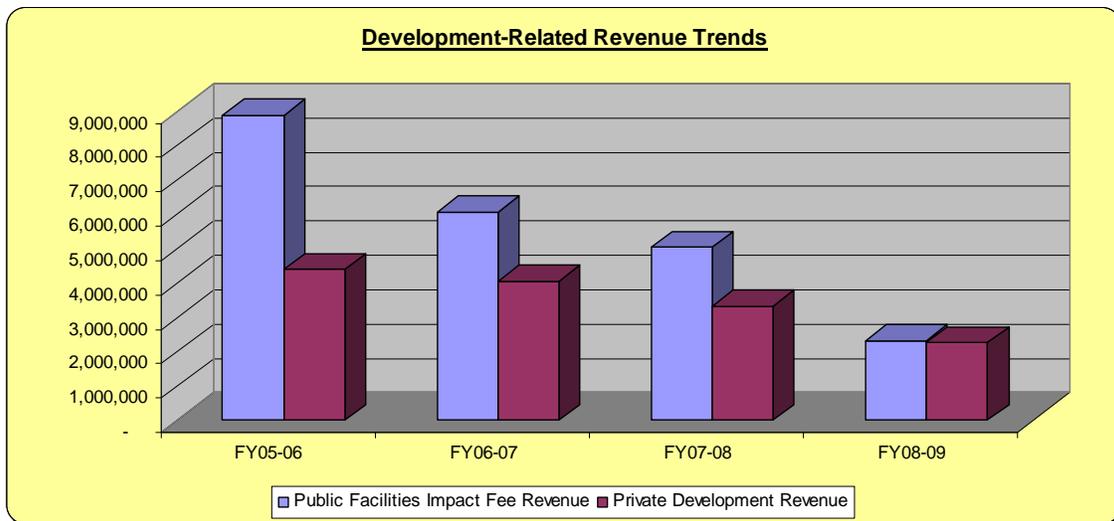
Chico has definitely felt the affects of the economic downturn with declines in Tax revenue and development-related revenue. General Fund Tax Revenue declined 3% from the prior fiscal year, due to a substantial 10% decline in Sales Tax offset by a 6% increase in Property Taxes. Sales Tax, which contributes 37% of total General Fund revenue, has been heavily impacted by the recession, especially in the Auto Sales and Fuel Sales sectors. The decline in Sales Tax is the largest the City has experienced in nearly 30 years.

¹ Chico Chamber of Commerce, www.chicochamber.com



Because Fiscal Year 2008-09 Property Taxes were calculated from the assessed valuation as of July 2008, before the recession hit, Property Taxes increased by 6% from the prior year. The impact of the recession will likely impact the City’s Property Tax revenue in Fiscal Year 2009-10, as the Butte County Assessor’s Office has reassessed the properties sold at the height of the housing boom, as mandated by Proposition 8, to adjust the assessed values to reflect the current market value of the property.

Development-related revenue dramatically declined during Fiscal Year 2008-09 due to the lack of housing and construction activity within the City of Chico. The chart below illustrates the decline in both Public Facility Impact Fee revenue and Private Development revenue over the past four fiscal years. Impact Fee revenue declined by 54% from FY07-08 and 74% from FY05-06. Similarly, Private Development revenue declined by 32% from the prior year and by 48% from FY05-06.



Several economic indicators continue to show cause for concern:

- September 2009 preliminary unemployment rate for Butte County is 12.2%, compared to a rate of 12% for California and 9.5% for the nation²
- Median Home prices for 2009 declined 8% from 2008 (\$270,000 to \$248,500)³
- 10,017 properties within Butte County have been re-assessed at a lower value by the County Assessor’s Office, as mandated by Proposition 8³
- Housing units sold within Butte County in July 2009 totaled 227, a 13.5% decline compared to the number of homes sold in July 2008³

² State of California, Employment Development Department

³ HdL Coren & Cone 2009-10 Property Tax Summary

Despite the number of homes re-assessed at a lower value, the net taxable valuation for the City of Chico increased 0.1% Citywide. The re-assessments negated the 2% inflation allocation applied to property values as part of Proposition 13, as well as the modest growth in assessed value realized from the transfer of ownership changes and non-residential new construction.

Long-term Financial Planning

With the adoption of the FY08-09 Annual Budget, the City Council was provided with Ten-Year Financial Plans for all major City and Redevelopment Agency funds. Long range planning serves as an effective tool to stimulate long-term thinking and magnify the impact of today's decisions on the City's financial future. Additionally, long range planning helps to ensure that one-time revenues are not used to fund ongoing service commitments.

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

To address the structural deficit in the General Fund and improve the financial well-being of the City, the Chico City Council approved the Strategy to Balance the Ten Year Financial Plan in May 2008, which included a 7.5% reduction to all eligible operating departments as well as the re-negotiation of City labor contracts to limit future salary increases for all City employees and reduce the City's contribution to health insurance provided to employees. The first round of reductions were successfully implemented in Fiscal Year 2008-09. The growth rate in Operating Expenditures declined from a five-year average rate of 8.8% per year, to a decline of 0.7% in 2008-09. A total of 12.75 positions have been reduced through attrition during 2008-09. To date, the City has not been forced to lay off any employees. The deficit reduction strategies put into place before the recession hit has helped keep the City fiscally balanced during this economic downturn. The second phase of reductions identified in the Strategy to Balance the Ten Year Financial Plan will be implemented during Fiscal Year 2009-10, as well as an additional 3% reduction in Operating Expenditures necessary to balance the General Fund.

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, 2008. This was the sixth 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.

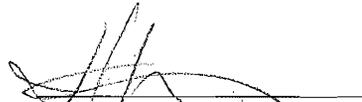
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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. Finally, we'd like to congratulate Accounting Manager Uldis Vidners on his retirement and recognize his 15 years of service and dedication to the City's Finance Office and his leadership in the preparation of the City's Financial Statements.

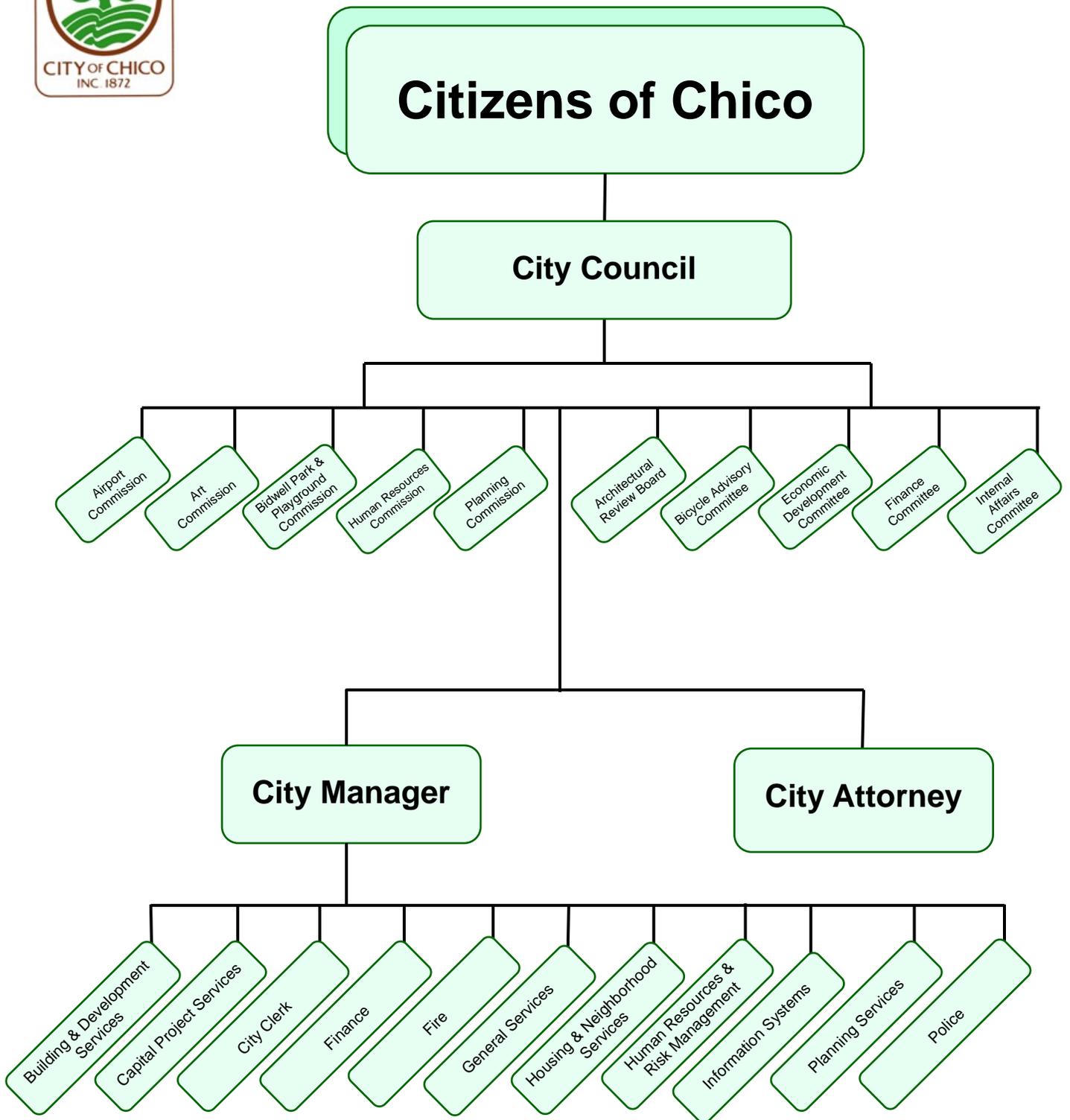
Respectfully submitted,



David Burkland
City Manager



Jennifer Hennessy
Finance Director



DIRECTORY OF CITY OFFICIALS

Ann Schwab, Mayor

Tom Nickell, Vice-Mayor

Andy Holcombe, Councilmember *Jim Walker, Councilmember*

Mary Flynn, Councilmember *Larry Wahl, Councilmember*

Scott Gruendl, Councilmember

David Burkland
City Manager

John Rucker
Assistant City Manager

Lori Barker
City Attorney

Cindy Pierce
Administrative Services Director

Debbie Presson
City Clerk

Mike Maloney
Chief of Police

James Beery
Fire Chief

Lynn McEnespy
Information Systems Director

Jennifer Hennessy
Finance Director

Tom Varga
Capital Project Services Director

Dennis Beardsley
General Services Director

Teresa Campbell
Director-Human Resources
& Risk Management

Sherry Morgado
Housing & Neighborhood
Services Director

Mark Wolfe
Interim Planning Services Director

Fritz McKinley
Building/Development
Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chico
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

INDEPENDENT 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, 2009, 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, 2009, 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 October 16, 2009 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

October 16, 2009

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, 2009. 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 2009 by \$368,046,029. Of this amount, \$322,431,169 is invested in capital assets, net of related debt; \$79,931,049 is restricted for specific purposes; and (\$34,316,189) is unrestricted. Unrestricted net assets are considered to be the amount available to meet the ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$9,773,822 over the prior fiscal year.
- As of June 30, 2009, the City's governmental funds reported combined fund balances of \$121,812,488, a decrease of \$11,204,016 from the prior year. Approximately 51% of the combined fund balances, or \$62,175,591, 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 \$6,830,165, or 14.8% of total General Fund expenditures. The entire amount is designated for emergencies.
- The City's total long-term debt increased \$17,401,776 over the prior year. The increase is due primarily to the state loan used to finance the expansion of the City's Water Pollution Control Plant.

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 - 29 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 is presented as required supplementary information. Required supplementary information can be found beginning at page 65 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 77 - 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 \$368,046,029 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$322,431,169 or 88%, 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, 2009 and June 30, 2008

	Governmental Activities		Business-type Activities		Total		Total	
	2009	2008 (restated)	2009	2008	2009	2008 (restated)	Dollar Change	Percent Change
	Current and other assets	\$ 153,596,193	\$ 162,011,469	\$ 1,843,364	\$ 4,431,333	\$ 155,439,557	\$ 166,442,802	\$ (11,003,245)
Capital assets	307,169,027	290,592,286	112,323,851	88,750,451	419,492,878	379,342,737	40,150,141	11%
Total assets	460,765,220	452,603,755	114,167,215	93,181,784	574,932,435	545,785,539	29,146,896	5%
Current and other liabilities	17,677,978	16,014,097	2,035,821	1,728,404	19,713,799	17,742,501	1,971,298	11%
Long-term liabilities	174,036,071	159,371,888	13,136,536	10,398,943	187,172,607	169,770,831	17,401,776	10%
Total liabilities	191,714,049	175,385,985	15,172,357	12,127,347	206,886,406	187,513,332	19,373,074	10%
Net assets:								
Invested in capital assets, net of related debt	222,778,204	219,234,981	99,652,965	78,805,919	322,431,169	298,040,900	24,390,269	8%
Restricted net assets	77,167,292	70,687,115	2,763,757	1,543,397	79,931,049	72,230,512	7,700,537	11%
Unrestricted net assets	(30,894,325)	(12,704,326)	(3,421,864)	705,121	(34,316,189)	(11,999,205)	(22,316,984)	-186%
Total net assets	\$ 269,051,171	\$ 277,217,770	\$ 98,994,858	\$ 81,054,437	\$ 368,046,029	\$ 358,272,207	\$ 9,773,822	3%

Another portion of the City's net assets, \$79,931,049 approximately 22%, represents the City's *restricted net assets*, which are subject to external restrictions on how they may be used.

The remaining balance of (\$34,316,189) 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 it has 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.

The government's net assets increased by \$9,773,822 during the current fiscal year, primarily due to the addition of infrastructure assets acquired through donations of infrastructure from developers completing subdivisions.

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, 2009 and 2008

	Governmental		Business-type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2009	2008	2009	2008	2009	2008	Change	Change
Program revenues:								
Charges for services	\$ 5,866,273	\$ 9,662,135	\$ 12,339,994	\$ 12,789,313	\$ 18,206,267	\$ 22,451,448	\$ (4,245,181)	-19%
Operating grants and contributions	10,251,820	9,724,005	11,701	-	10,263,521	9,724,005	539,516	6%
Capital grants and contributions	11,913,513	18,359,109	811,158	760,917	12,724,671	19,120,026	(6,395,355)	-33%
General revenues:								
Taxes	69,935,146	69,355,645	-	-	69,935,146	69,355,645	579,501	1%
Grants and contributions not restricted to specific programs	822,731	923,465	-	-	822,731	923,465	(100,734)	-11%
Unrestricted investment earnings	2,939,327	5,525,167	7,138	33,487	2,946,465	5,558,654	(2,612,189)	-47%
Miscellaneous	194,658	158,532	-	-	194,658	158,532	36,126	23%
Loss on disposal of capital assets	(239,032)	-	-	-	(239,032)	-	(239,032)	-
Total revenues	101,684,436	113,708,058	13,169,991	13,583,717	114,854,427	127,291,775	(12,437,348)	-10%
Expenses:								
General government	2,017,346	5,488,447	-	-	2,017,346	5,488,447	(3,471,101)	-63%
Public safety	38,422,756	38,071,305	-	-	38,422,756	38,071,305	351,451	1%
Public works	17,116,124	18,714,427	-	-	17,116,124	18,714,427	(1,598,303)	-9%
Parks and recreation	4,011,254	4,002,225	-	-	4,011,254	4,002,225	9,029	0%
Community development	5,298,271	4,713,361	-	-	5,298,271	4,713,361	584,910	12%
Community agencies	765,443	852,107	-	-	765,443	852,107	(86,664)	-10%
Redevelopment	15,159,338	20,344,132	-	-	15,159,338	20,344,132	(5,184,794)	-25%
Interest on long-term debt	6,145,106	5,900,448	-	-	6,145,106	5,900,448	244,658	4%
Sewer	-	-	8,443,442	7,785,161	8,443,442	7,785,161	658,281	8%
Parking	-	-	1,726,200	822,458	1,726,200	822,458	903,742	110%
Private development	-	-	4,528,173	4,560,096	4,528,173	4,560,096	(31,923)	-1%
Airport	-	-	1,447,152	1,405,981	1,447,152	1,405,981	41,171	3%
Household Hazardous Waste	-	-	-	2,105	-	2,105	(2,105)	-100%
Total expenses	88,935,638	98,086,452	16,144,967	14,575,801	105,080,605	112,662,253	(7,581,648)	-7%
Excess before transfers	12,748,798	15,621,606	(2,974,976)	(992,084)	9,773,822	14,629,522	(4,855,700)	-33%
Transfers	(20,915,397)	(9,837,065)	20,915,397	9,837,065	-	-	-	-
Change in net assets	(8,166,599)	5,784,541	17,940,421	8,844,981	9,773,822	14,629,522	(4,855,700)	-33%
Net assets, as restated – July 1, 2008	277,217,770	271,433,229	81,054,437	72,209,456	358,272,207	343,642,685	14,629,522	4%
Net assets – June 30, 2009	\$ 269,051,171	\$ 277,217,770	\$ 98,994,858	\$ 81,054,437	\$ 368,046,029	\$ 358,272,207	\$ 9,773,822	3%

Governmental Activities. Governmental activities decreased the City's net assets by \$8,166,599. Revenue from governmental activities exceeded expenses by \$12,748,798. Transfers accounted for a \$20,915,397 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 the governmental activities decreased 10% from the prior year:

- Charges for services decreased 39% from the prior year. The entire decrease was due to lower development impact fee revenue due to the continued reduction in commercial residential construction activity.
- Operating grants and contributions increased 5% from the prior year due to increased reimbursement for mutual aid fire protection of approximately \$500,000. Operating grants and contributions fluctuate each year as they are subject to external funding sources.

Management's Discussion and Analysis

- 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 \$6,400,000 from the prior year.
- Total tax revenues increased 1% from the prior year. The overall increase was primarily due to increased Property Tax revenue which was up approximately 5% over the prior year due to increased assessed valuations. In contrast, Sales Tax revenues decreased 10% compared to the prior year and the result was due to a sagging economy throughout the United States and the State of California. Also, Utility Users' Tax increased approximately 2% and Transient Occupancy Tax decreased approximately 3%.
- Unrestricted investment earnings decreased 47% 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 4.63% in fiscal year 2007-08 to 2.83% in fiscal year 2008-09.

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

- General government expenses decreased by 63% (\$3,471,101) due to a change in accounting for indirect costs, which were recorded as a general government expense in fiscal year 2008-09 and recorded as transfers in the prior year.
- Public works expenses decreased by 9% (\$1,598,303) due to a reduction of funds available for noncapital related maintenance and projects.
- Redevelopment expenses decreased by 25% (\$5,184,794) due to the accrual of a \$7.9 million settlement recorded in the prior year.

Business-type Activities. Business-type activities increased the City's net assets by \$17,940,421. Business-type activities expenses exceeded revenues by \$2,974,976 while transfers increased net assets by \$20,915,197 primarily due to capital contributions from the governmental funds for construction of the Water Pollution Control Plant expansion project. 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	Housing	Public	Capital	Redevelop-
	Fund		Facilities	Grants	ment
			Impact Fees	Agency	
Revenues	\$ 42,313,607	\$ 1,757,100	\$ 2,570,455	\$ 4,893,025	\$ 34,121,659
Expenditures	46,232,706	1,531,118	22,001,566	6,722,644	37,200,928
Other financing sources (uses), net	1,312,188	-	18,191,961	-	(4,097,717)
Change in fund balances	(2,606,911)	225,982	(1,239,150)	(1,829,619)	(7,176,986)
Fund balances (deficits), as restated, July 1, 2008	12,197,951	3,299,516	10,045,002	(1,124,523)	86,687,088
Fund balances (deficits), June 30, 2009	<u>\$ 9,591,040</u>	<u>\$ 3,525,498</u>	<u>\$ 8,805,852</u>	<u>\$ (2,954,142)</u>	<u>\$ 79,510,102</u>

	Nonmajor Funds			
	Special	Capital	Debt	Total
	Revenue	Projects	Service	
	Funds	Funds	Funds	
Revenues	\$ 7,265,883	\$ 490,217	\$ 89,318	\$ 93,501,264
Expenditures	4,589,769	2,402,976	2,288,519	122,970,226
Other financing sources (uses), net	(2,207,527)	2,868,324	2,197,717	18,264,946
Change in fund balances	468,587	955,565	(1,484)	(11,204,016)
Fund balances (deficits), as restated, July 1, 2008	8,076,494	12,104,117	1,730,859	133,016,504
Fund balances, June 30, 2009	<u>\$ 8,545,081</u>	<u>\$ 13,059,682</u>	<u>\$ 1,729,375</u>	<u>\$ 121,812,488</u>

At June 30, 2009, the City's governmental funds reported combined fund balances of \$121,812,488, a decrease of \$11,204,016 from the prior year. Approximately 51% of this total amount, \$62,175,591, 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 (\$12,568,135), 2) pay debt service (\$8,672,910), 3) reflect loans receivable that are long-term in nature and thus do not represent available spendable resources (\$33,128,553), and 4) reflect amounts reserved for other purposes (\$5,267,299).

Revenues for governmental funds overall totaled \$93,501,264, a decrease of \$14,397,451 (13%) over the prior fiscal year, and expenditures for governmental funds totaled \$122,970,226, an increase of \$11,896,402 (11%). In the current fiscal year, expenditures for governmental funds exceeded revenues by \$29,468,962 (23%).

The General Fund is the chief operating fund of the City. At June 30, 2009, unreserved fund balance of the General Fund was \$6,830,165 (all of which is designated for emergencies) while total fund balance was \$9,591,040. 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 21% of that same amount.

The fund balance of the City's General Fund decreased by 21% during the fiscal year. Revenues decreased by approximately 2% which included a 6% increase in property taxes, a 10% decrease in sales tax, which were partially offset by minor increases in intergovernmental revenue and miscellaneous revenue. Expenditures decreased by approximately 7% mostly due to a change in the accounting for the City's indirect cost allocation which resulted in an approximate \$3,000,000 decrease to general government expenditures, but also reduced General Fund transfers in by a like amount. Other functional expenditures observed only small changes from the prior year in part to the continuing effects of the City's deficit reduction strategy.

Housing Fund revenues exceeded expenditures by \$225,982. The excess of revenues over expenditures was the result of reimbursements received for costs incurred during the prior year.

Management's Discussion and Analysis

The fund balance of the Public Facilities Impact Fees Fund decreased by \$1,239,150 due to a drop in developer impact revenue caused by the decline in the construction sector as a result of the economic recession. The Fund benefited from \$18,221,197 in a State Revolving Fund loan for construction of the Water Pollution Control Plant Expansion and in turn expended those proceeds on the Expansion project.

Expenditures in the Capital Grants Fund exceeded revenues by \$1,829,619. The excess of expenditures over revenues was the result of reimbursable projects in which the revenue recognition criteria (availability period) for the grant reimbursements was not met, so the revenue has not yet been recorded.

Redevelopment Agency property tax increment revenues increased by \$1.5 million over the prior year due to a 5.6% increase in the Agency's assessed valuation. Investment earnings decreased approximately \$1.4 million as the proceeds of the 2005 Tax Allocation Bond were spent down and investment yields softened due to the economic downturn. Major projects in process during the year included East Fifth Avenue reconstruction, Manzanita Corridor and the Cohasset Road widening project. Completed projects included the Old Municipal Building remodel as well as the East Eighth Street reconstruction.

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	\$ 8,441,060	\$ 1,000,506	\$ 2,270,045	\$ 558,786	\$ 12,270,397
Operating expenses	8,295,472	1,539,451	4,528,173	1,447,152	15,810,248
Operating income (loss)	145,588	(538,945)	(2,258,128)	(888,366)	(3,539,851)
Nonoperating revenues (expenses), net	(37,775)	(157,137)	(123,421)	72,050	(246,283)
Income (loss) before contributions and transfers	107,813	(696,082)	(2,381,549)	(816,316)	(3,786,134)
Contributions and transfers	17,724,387	(31,517)	498,077	3,535,608	21,726,555
Change in net assets	<u>\$ 17,832,200</u>	<u>\$ (727,599)</u>	<u>\$ (1,883,472)</u>	<u>\$ 2,719,292</u>	<u>\$ 17,940,421</u>

- Sewer Fund revenues increased approximately 8% and expenses increased approximately 9% respectively. The revenue increase is consistent with the increase in sewer hookups and the increase in expenses is consistent with increased operating expenses due to the increased activity as a result of additional hookups.
- Parking Fund revenues decreased approximately 4% while expenses increased 129%. The increase in expense was due to two primary factors. The first was an increase in depreciation expense of approximately \$300,000 resulting from a change in the estimate of the useful life of an asset and due to approximately \$350,000 used to perform pavement maintenance in a downtown parking lot. In addition, the Parking Authority prepaid over \$1,000,000 of the outstanding Parking Bonds in fiscal 2008-09 with the remaining \$1,030,000 paid on August 1, 2009.
- 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 will continue to take an aggressive approach to stabilize this fund with the development of a long-term fiscal plan to balance the Fund.

Management's Discussion and Analysis

- The Airport Fund revenues 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. Capital contributions in the amount of \$3,596,100 consisted of Airport Improvement Project #28, which included reconstruction of the airport runway parking apron.

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 \$850,000. Within this change, Sales and Use Taxes were reduced by approximately \$1,700,000, while Property Taxes were increased by approximately \$700,000, Intergovernmental revenues were increased approximately \$650,000 and other General Fund revenues were decreased by approximately \$500,000. Total appropriation changes between the original budget and final budget for the General Fund were negligible.

Actual General Fund revenue received came within 0.3% of the final budget, while total expenditures were approximately \$2.1 million below the final budget, due primarily to cost containment measures and unfilled personnel allocations applicable to all General Fund functions, achieved as part of the City's deficit reduction strategy.

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, 2009 amounted to \$419,492,878 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current period was approximately 10% and is consistent with prior year increases.

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	
	2009	2008	2009	2008	2009	2008
Land	\$ 32,968,613	\$ 32,244,267	\$ 2,154,341	\$ 2,154,341	\$ 35,122,954	\$ 34,398,608
Buildings	12,419,389	9,552,622	10,773,339	11,371,918	23,192,728	20,924,540
Improvements	11,366,691	12,087,128	55,036,451	57,125,622	66,403,142	69,212,750
Equipment	5,726,236	6,674,095	1,340,013	1,337,184	7,066,249	8,011,279
Infrastructure	220,735,839	220,290,362	-	-	220,735,839	220,290,362
Construction in progress	23,952,259	9,743,812	43,019,707	16,761,386	66,971,966	26,505,198
Total	<u>\$ 307,169,027</u>	<u>\$ 290,592,286</u>	<u>\$ 112,323,851</u>	<u>\$ 88,750,451</u>	<u>\$ 419,492,878</u>	<u>\$ 379,342,737</u>

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

- Buildings – Completed remodel of the Old Municipal Building.
- Construction in progress – Increase primarily represents construction of the Water Pollution Control Plant expansion project.

Management's Discussion and Analysis

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, 2009. This information can be found in note III.C on page 56 of this report.

Long-term liabilities

At June 30, 2009, the City had total long-term liabilities outstanding of \$187,172,607, net of unamortized premiums and discounts and deferred amounts on refunding, as compared to \$169,770,831 in the prior year. This amount was comprised of \$113,989,554 of revenue bonds (net of unamortized premiums and deferred amounts on refunding), \$55,569,176 of loans payable, \$4,141,415 of estimated compensated absences, \$12,693,462 of claims and settlement liability and \$779,000 of other post retirement benefits liability. Retirement of debt and other reductions amounted to \$10,313,949 and additions totaled \$27,715,725. Additions were mainly a result of additional loan proceeds from the State of California for the Water Pollution Control Plant Expansion Project.

Additional information on the City's long-term liabilities can be found in note II.D on pages 49 - 52 of this report.

Economic Factors and Next Year's Budget

On July 7, 2009, the Chico City Council approved the Fiscal Year 2009-10 Final Budget. The budget provides for a total Operating Budget of \$99,067,506 and a Capital Improvement Budget of \$57,638,081. The City's General Fund is balanced with an Ending Fund Balance of \$131,036. In order to balance this fund, the City Manager implemented further budget cuts in addition to the reductions implemented as part of the Strategy to Balance the Ten-Year Financial Plan, adopted by the City Council in May 2007 to address the fund's structural deficit. Fiscal Year 2008-09 was the first year of implementation of the deficit reduction strategy, in which departments were required to reduce their operating budgets by 7.5%. As part of this strategy, the City Council successfully re-negotiated all eight employee contracts to achieve additional cost savings. The implementation of these budget cuts put the City in a more favorable position to help withstand the dramatic economic downturn that hit in the latter months of 2008.

Fiscal Year 2009-10 is the second year of implementation of the deficit reduction strategy. By the end of the fiscal year, a total of 23 positions, or 5% of the workforce, are scheduled to be reduced through attrition. The cost savings associated with these positions, along with non-salary cost savings, will help offset the projected 6.5% decline in General Fund revenue. Inter-fund transfers of Gas Tax and Transportation funding and the existing Fund Balance will be utilized to fill the remaining budget gap necessary to balance the General Fund. The City Manager and Finance Director will continue reporting to the City Council on a quarterly basis, the status of the budget reduction strategy and the fiscal condition of the City. In the event of further economic decline, the City Manager is positioned to implement the Budget Contingency Plan, which includes the use of Emergency Reserve funding, further budget reductions, re-negotiation with employee groups and potential reductions in service and staff if necessary.

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
Finance Director
P.O. Box 3420
Chico, California 95927

***GOVERNMENT-WIDE FINANCIAL
STATEMENTS***



CITY OF CHICO, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 83,925,924	\$ 4,446,305	\$ 88,372,229
Restricted cash and investments	10,786,794	2,763,757	13,550,551
Receivables:			
Interest	2,690,868	-	2,690,868
Property taxes	797,861	-	797,861
Accounts	1,113,743	1,612,770	2,726,513
Intergovernmental	8,273,913	15,058	8,288,971
Loans	33,128,553	-	33,128,553
Internal balances	7,388,536	(7,388,536)	-
Land held for resale	1,355,000	-	1,355,000
Deposits with others	1,835,559	-	1,835,559
Unamortized issuance costs	2,080,506	-	2,080,506
Other assets	218,936	394,010	612,946
Capital assets:			
Nondepreciable	56,920,872	45,174,048	102,094,920
Depreciable, net	250,248,155	67,149,803	317,397,958
	<u>460,765,220</u>	<u>114,167,215</u>	<u>574,932,435</u>
LIABILITIES			
Accounts payable	7,172,124	1,327,927	8,500,051
Accrued salaries and benefits	1,276,493	137,697	1,414,190
Intergovernmental payable	6,538,056	32,624	6,570,680
Interest payable	1,780,137	126,881	1,907,018
Deposits	7,016	307,464	314,480
Unearned revenue	904,152	103,228	1,007,380
Long-term liabilities:			
Due within one year	6,521,883	1,461,738	7,983,621
Due in more than one year	167,514,188	11,674,798	179,188,986
	<u>191,714,049</u>	<u>15,172,357</u>	<u>206,886,406</u>
NET ASSETS			
Invested in capital assets, net of related debt	222,778,204	99,652,965	322,431,169
Restricted for:			
Capital projects	19,500,910	1,507,134	21,008,044
Debt service	8,672,910	1,256,623	9,929,533
Housing	39,981,109	-	39,981,109
Redevelopment	5,982,701	-	5,982,701
Remediation	1,477,399	-	1,477,399
Maintenance districts	1,552,263	-	1,552,263
Unrestricted	(30,894,325)	(3,421,864)	(34,316,189)
	<u>\$ 269,051,171</u>	<u>\$ 98,994,858</u>	<u>\$ 368,046,029</u>

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

CITY OF CHICO, CALIFORNIA
STATEMENT OF ACTIVITIES
JUNE 30, 2009

FUNCTIONS/PROGRAMS:	Program Revenues						Net (Expense) Revenue and Changes in Net Assets		
	Direct	Indirect	Total	Charges for	Operating	Capital	Governmental	Business-type	Total
	Expenses	Expenses	Expenses	Services	Grants and Contributions	Grants and Contributions			
Governmental activities:									
General government	\$ 5,442,474	\$ (3,425,128)	\$ 2,017,346	\$ 205,893	41,360	\$ -	\$ (1,770,093)	\$ -	\$ (1,770,093)
Public safety	38,422,756	-	38,422,756	1,392,279	1,770,388	-	(35,260,088)	-	(35,260,088)
Public works	15,874,792	1,241,332	17,116,124	1,621,809	6,197,638	11,913,513	2,616,836	-	2,616,836
Parks and recreation	4,011,254	-	4,011,254	137,437	14,875	-	(3,858,942)	-	(3,858,942)
Community development	5,298,271	-	5,298,271	2,468,305	1,538,530	-	(1,291,436)	-	(1,291,436)
Community agencies	765,443	-	765,443	-	-	-	(765,443)	-	(765,443)
Redevelopment	14,669,008	490,330	15,159,338	40,549	689,029	-	(14,429,760)	-	(14,429,760)
Interest on long-term debt	6,145,106	-	6,145,106	-	-	-	(6,145,106)	-	(6,145,106)
Total governmental activities	90,629,104	(1,693,466)	88,935,638	5,866,273	10,251,820	11,913,513	(60,904,031)	-	(60,904,031)
Business-type activities:									
Sewer	7,883,486	559,956	8,443,442	8,443,555	-	811,158	-	811,271	811,271
Parking	1,608,933	117,267	1,726,200	1,000,506	-	-	-	(725,694)	(725,694)
Private development	3,614,947	913,226	4,528,173	2,270,045	-	-	-	(2,258,128)	(2,258,128)
Airport	1,344,135	103,017	1,447,152	625,888	11,701	-	-	(809,563)	(809,563)
Total business-type activities	14,451,501	1,693,466	16,144,967	12,339,994	11,701	811,158	-	(2,982,114)	(2,982,114)
Total primary government	\$ 105,080,605	\$ -	\$ 105,080,605	\$ 18,206,267	\$ 10,263,521	\$ 12,724,671	(60,904,031)	(2,982,114)	(63,886,145)

General revenues:

Taxes:			
Property taxes		43,478,984	43,478,984
Sales and use tax		11,728,242	11,728,242
Sales tax in-lieu		3,893,381	3,893,381
Utility users tax		6,904,290	6,904,290
Other taxes		3,930,249	3,930,249
Grants and contributions not restricted to specific programs		822,731	822,731
Unrestricted investment earnings		2,939,327	2,946,465
Miscellaneous		194,658	194,658
Loss on disposal of capital assets		(239,032)	(239,032)
Transfers		(20,915,397)	-
Total general revenues and transfers		52,737,432	73,659,967
Change in net assets		(8,166,599)	9,773,822
Net assets, beginning of year - as restated		277,217,770	358,272,207
Net assets, end of year		\$ 269,051,171	\$ 368,046,029

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.
- **Household Hazardous Waste**
Accounts for solid waste management and recycling activities and household hazardous materials waste recycling and disposal activities.

Fiduciary Fund Type

The only fiduciary fund is the:

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

CITY OF CHICO, CALIFORNIA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 4,649,147	\$ -	\$ 10,225,700	\$ -	\$ 48,434,658	\$ 18,028,887	\$ 81,338,392
Petty cash change funds	1,280	-	-	-	-	-	1,280
Receivables:							
Interest	220,564	433,555	-	-	2,036,749	-	2,690,868
Property taxes	624,173	-	-	-	173,688	-	797,861
Accounts	1,038,152	-	27,267	-	-	48,204	1,113,623
Intergovernmental	3,125,860	455,221	28,292	3,412,479	104,703	1,041,877	8,168,432
Loans	-	3,988,568	182,040	-	28,289,387	668,558	33,128,553
Due from other funds	-	-	-	-	-	2,415,758	2,415,758
Deposits with others	107,013	-	1,154,356	-	509,930	64,260	1,835,559
Advances to other funds	2,076,740	-	-	-	-	-	2,076,740
Restricted assets:							
Cash and investments	-	-	-	-	8,972,419	1,729,375	10,701,794
Land held for resale	-	-	-	-	1,355,000	-	1,355,000
Total assets	<u>\$ 11,842,929</u>	<u>\$ 4,877,344</u>	<u>\$ 11,617,655</u>	<u>\$ 3,412,479</u>	<u>\$ 89,876,534</u>	<u>\$ 23,996,919</u>	<u>\$ 145,623,860</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 870,572	\$ 45,833	\$ 2,775,900	\$ 767,055	\$ 1,849,845	\$ 503,721	\$ 6,812,926
Accrued salaries and benefits	1,102,495	3,349	-	-	28,391	78,815	1,213,050
Deposits	7,016	-	-	-	-	-	7,016
Intergovernmental payable	133,120	26,006	35,903	-	6,291,067	15,451	6,501,547
Due to other funds	-	387,881	-	2,182,147	-	-	2,570,028
Deferred revenue	115,351	888,777	-	3,417,419	2,197,129	64,794	6,683,470
Other accrued liabilities	23,335	-	-	-	-	-	23,335
Total liabilities	<u>2,251,889</u>	<u>1,351,846</u>	<u>2,811,803</u>	<u>6,366,621</u>	<u>10,366,432</u>	<u>662,781</u>	<u>23,811,372</u>
Fund balances (deficit):							
Reserved for:							
Encumbrances	577,122	48,208	4,918,676	1,361,681	4,859,680	802,768	12,568,135
Deposits with others	107,013	-	1,154,356	-	509,930	64,260	1,835,559
Debt service	-	-	-	-	6,943,535	1,729,375	8,672,910
Loans receivable	-	3,988,568	182,040	-	28,289,387	668,558	33,128,553
Advances to other funds	2,076,740	-	-	-	-	-	2,076,740
Assets held for resale	-	-	-	-	1,355,000	-	1,355,000
Unreserved reported in:							
General Fund:							
Designated for emergencies	6,830,165	-	-	-	-	-	6,830,165
Special revenue funds:							
Designated for capital projects	-	-	-	-	2,028,884	-	2,028,884
Designated for major maintenance	-	-	-	-	-	1,191,993	1,191,993
Designated for remediation	-	-	-	-	1,477,399	-	1,477,399
Undesignated	-	(511,278)	-	-	10,734,066	6,894,205	17,116,993
Capital projects funds:							
Designated for debt service	-	-	2,550,780	-	-	-	2,550,780
Undesignated	-	-	-	(4,315,823)	23,312,221	11,982,979	30,979,377
Total fund balances (deficit)	<u>9,591,040</u>	<u>3,525,498</u>	<u>8,805,852</u>	<u>(2,954,142)</u>	<u>79,510,102</u>	<u>23,334,138</u>	<u>121,812,488</u>
Total liabilities and fund balances (deficit)	<u>\$ 11,842,929</u>	<u>\$ 4,877,344</u>	<u>\$ 11,617,655</u>	<u>\$ 3,412,479</u>	<u>\$ 89,876,534</u>	<u>\$ 23,996,919</u>	<u>\$ 145,623,860</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, 2009

Total fund balances (deficit) - total governmental funds (page 21) \$ 121,812,488

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. 306,940,364

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 5,779,318

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. 2,044,197

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Long-term obligations	\$ (156,938,048)	
Settlements	(6,750,000)	
Other post employment benefits	(779,000)	
Compensated absences	(3,408,721)	
Accrued interest payable	(1,780,137)	
Premium on bond issuance	(850,604)	
Deferred charges on bond refunding	900,808	
Bond issuance costs	2,080,506	(167,525,196)

Net assets of governmental activities (page 15) \$ 269,051,171

CITY OF CHICO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Housing	Public Facilities Impact Fees	Capital Grants	Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ 11,431,858	\$ -	\$ -	\$ -	\$ 32,047,126	\$ -	\$ 43,478,984
Sales and use taxes	15,621,622	-	-	-	-	-	15,621,622
Other taxes	10,700,975	-	-	-	-	-	10,700,975
Licenses and permits	111,213	-	-	-	-	-	111,213
Intergovernmental	2,499,149	1,731,055	-	4,893,025	-	5,844,004	14,967,233
Charges for services	279,568	-	2,315,733	-	25,049	1,312,270	3,932,620
Fines, forfeitures, and penalties	739,959	-	-	-	-	155,060	895,019
Use of money and property	356,563	26,045	254,722	-	2,033,984	533,967	3,205,281
Miscellaneous	572,700	-	-	-	15,500	117	588,317
Total revenues	42,313,607	1,757,100	2,570,455	4,893,025	34,121,659	7,845,418	93,501,264
EXPENDITURES:							
Current:							
General government	1,507,741	-	-	22,392	-	245,179	1,775,312
Public safety	36,024,067	-	-	-	-	162,863	36,186,930
Public works	3,987,491	-	-	42,515	-	4,623,563	8,653,569
Parks and recreation	2,724,915	-	-	776,853	-	-	3,501,768
Community development	1,134,584	1,531,118	1,756,592	-	848,476	-	5,270,770
Community agencies	764,405	-	-	-	-	-	764,405
Redevelopment	-	-	-	-	15,113,325	-	15,113,325
Capital outlay	89,503	-	18,514,703	5,880,884	15,299,124	1,961,140	41,745,354
Debt service:							
Principal retirement	-	-	1,239,363	-	1,760,000	1,025,000	4,024,363
Interest and fiscal charges	-	-	490,908	-	4,180,003	1,263,519	5,934,430
Total expenditures	46,232,706	1,531,118	22,001,566	6,722,644	37,200,928	9,281,264	122,970,226
Excess (deficiency) of revenues over (under) expenditures	(3,919,099)	225,982	(19,431,111)	(1,829,619)	(3,079,269)	(1,435,846)	(29,468,962)
OTHER FINANCING SOURCES (USES):							
Transfers in	2,341,746	-	-	-	-	5,100,260	7,442,006
Transfers out	(1,029,558)	-	(29,236)	-	(4,097,717)	(2,241,746)	(7,398,257)
Proceeds of long-term debt	-	-	18,221,197	-	-	-	18,221,197
Total other financing sources (uses)	1,312,188	-	18,191,961	-	(4,097,717)	2,858,514	18,264,946
Net change in fund balances	(2,606,911)	225,982	(1,239,150)	(1,829,619)	(7,176,986)	1,422,668	(11,204,016)
Fund balances (deficit), beginning of year, as restated	12,197,951	3,299,516	10,045,002	(1,124,523)	86,687,088	21,911,470	133,016,504
Fund balances (deficit), end of year	\$ 9,591,040	\$ 3,525,498	\$ 8,805,852	\$ (2,954,142)	\$ 79,510,102	\$ 23,334,138	\$ 121,812,488

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, 2009

Net change in fund balances - total governmental funds (page 23) \$ (11,204,016)

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	\$ 41,745,354	
Depreciation expense	<u>(9,737,857)</u>	32,007,497

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		(21,455,332)
Capital contributions		6,090,037

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

Deferred revenue		1,950,748
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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	(18,221,197)	
Principal retirement	4,024,363	
Settlements	155,400	
Amortization of debt premium	36,983	
Amortization of bond issuance costs	(110,563)	
Amortization of deferred refunding charges	<u>(56,300)</u>	(14,171,314)

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	(80,796)	
Change in compensated absences	(353,282)	
Change in other post employment benefits	<u>(779,000)</u>	(1,213,078)

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of internal service funds is reported with governmental activities.

		<u>(171,141)</u>
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Change in net assets of governmental activities (page 16)		<u><u>\$ (8,166,599)</u></u>
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CITY OF CHICO, CALIFORNIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport	Total Enterprise Funds	
ASSETS						
Current assets:						
Cash and investments	\$ 4,446,305	\$ -	\$ -	\$ -	\$ 4,446,305	\$ 2,586,252
Receivables:						
Accounts	1,402,243	153	205,695	4,679	1,612,770	120
Intergovernmental	-	12,762	-	2,296	15,058	105,481
Due from other funds	-	-	-	-	-	996,107
Inventories	-	-	-	-	-	50,474
Other assets	392,114	186	-	1,710	394,010	168,462
Total current assets	<u>6,240,662</u>	<u>13,101</u>	<u>205,695</u>	<u>8,685</u>	<u>6,468,143</u>	<u>3,906,896</u>
Noncurrent assets:						
Restricted cash and investments	1,507,134	1,256,623	-	-	2,763,757	85,000
Advances to other funds	-	-	-	-	-	4,649,147
Land and construction in progress	39,566,447	1,239,404	-	4,368,197	45,174,048	30,391
Other capital assets, net of accumulated depreciation	52,280,187	2,817,133	83,709	11,968,774	67,149,803	166,593
Total noncurrent assets	<u>93,353,768</u>	<u>5,313,160</u>	<u>83,709</u>	<u>16,336,971</u>	<u>115,087,608</u>	<u>4,931,131</u>
Total assets	<u>99,594,430</u>	<u>5,326,261</u>	<u>289,404</u>	<u>16,345,656</u>	<u>121,555,751</u>	<u>8,838,027</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,226,660	10,673	79,859	10,735	1,327,927	335,863
Accrued salaries and benefits	64,398	3,665	64,707	4,927	137,697	63,443
Intergovernmental payable	11,393	-	21,231	-	32,624	36,509
Due to other funds	-	54,423	206,238	401,988	662,649	179,188
Interest payable	100,401	26,480	-	-	126,881	-
Deposits	-	-	307,464	-	307,464	-
Compensated absences - current portion	15,354	515	14,557	-	30,426	17,449
Claims liability - current portion	-	-	-	-	-	1,790,123
Long-term debt - current portion	401,554	1,029,758	-	-	1,431,312	-
Deferred revenue	-	-	103,228	-	103,228	-
Total current liabilities	<u>1,819,760</u>	<u>1,125,514</u>	<u>797,284</u>	<u>417,650</u>	<u>4,160,208</u>	<u>2,422,575</u>
Noncurrent liabilities:						
Long-term debt:						
Loan payable	11,239,574	-	-	-	11,239,574	-
Advances from other funds	-	-	6,725,887	-	6,725,887	-
Compensated absences	219,632	7,368	208,224	-	435,224	249,595
Claims liability	-	-	-	-	-	4,153,339
Total noncurrent liabilities	<u>11,459,206</u>	<u>7,368</u>	<u>6,934,111</u>	<u>-</u>	<u>18,400,685</u>	<u>4,402,934</u>
Total liabilities	<u>13,278,966</u>	<u>1,132,882</u>	<u>7,731,395</u>	<u>417,650</u>	<u>22,560,893</u>	<u>6,825,509</u>
NET ASSETS						
Invested in capital assets, net of related debt	80,205,506	3,026,779	83,709	16,336,971	99,652,965	196,984
Restricted for capital projects	1,507,134	-	-	-	1,507,134	-
Restricted for debt service	-	1,256,623	-	-	1,256,623	-
Unrestricted	4,602,824	(90,023)	(7,525,700)	(408,965)	(3,421,864)	1,815,534
Total net assets (deficit)	<u>\$ 86,315,464</u>	<u>\$ 4,193,379</u>	<u>\$ (7,441,991)</u>	<u>\$ 15,928,006</u>	<u>\$ 98,994,858</u>	<u>\$ 2,012,518</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, 2009

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
OPERATING REVENUES:						
Charges for services	\$ 8,386,428	\$ 1,000,506	\$ 1,485,327	\$ 103,505	\$ 10,975,766	\$ 8,504,959
Licenses and permits	-	-	784,718	-	784,718	-
Rental charges	54,632	-	-	455,281	509,913	-
Total operating revenues	<u>8,441,060</u>	<u>1,000,506</u>	<u>2,270,045</u>	<u>558,786</u>	<u>12,270,397</u>	<u>8,504,959</u>
OPERATING EXPENSES:						
Salaries and benefits	2,663,587	328,038	2,746,981	289,613	6,028,219	3,990,069
Materials and supplies	1,147,272	45,095	37,023	83,017	1,312,407	1,536,023
Purchased services	287,494	52,985	61,158	61,922	463,559	1,766,572
Other expenses	1,500,015	604,408	1,671,067	208,236	3,983,726	1,557,026
Depreciation	2,697,104	508,925	11,944	804,364	4,022,337	97,140
Total operating expenses	<u>8,295,472</u>	<u>1,539,451</u>	<u>4,528,173</u>	<u>1,447,152</u>	<u>15,810,248</u>	<u>8,946,830</u>
Operating income (loss)	<u>145,588</u>	<u>(538,945)</u>	<u>(2,258,128)</u>	<u>(888,366)</u>	<u>(3,539,851)</u>	<u>(441,871)</u>
NONOPERATING REVENUES (EXPENSES):						
Intergovernmental	-	-	-	11,701	11,701	-
Investment earnings	107,700	29,612	(123,421)	(6,753)	7,138	155,339
Interest expense	(147,970)	(186,749)	-	-	(334,719)	-
Miscellaneous	2,495	-	-	67,102	69,597	133,891
Total nonoperating revenues (expenses)	<u>(37,775)</u>	<u>(157,137)</u>	<u>(123,421)</u>	<u>72,050</u>	<u>(246,283)</u>	<u>289,230</u>
Income (loss) before contributions and transfers	107,813	(696,082)	(2,381,549)	(816,316)	(3,786,134)	(152,641)
Capital contributions	18,128,077	-	27,627	3,596,100	21,751,804	-
Transfers in	-	-	594,800	-	594,800	-
Transfers out	(403,690)	(31,517)	(124,350)	(60,492)	(620,049)	(50,179)
Change in net assets	<u>17,832,200</u>	<u>(727,599)</u>	<u>(1,883,472)</u>	<u>2,719,292</u>	<u>17,940,421</u>	<u>(202,820)</u>
Net assets (deficit), beginning of year	68,483,264	4,920,978	(5,558,519)	13,208,714	81,054,437	2,215,338
Net assets (deficit), end of year	<u>\$ 86,315,464</u>	<u>\$ 4,193,379</u>	<u>\$ (7,441,991)</u>	<u>\$ 15,928,006</u>	<u>\$ 98,994,858</u>	<u>\$ 2,012,518</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, 2009

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 8,312,534	\$ 998,919	\$ 2,153,900	\$ 640,667	\$ 12,106,020	\$ -
Receipts from interfund services provided					-	8,700,966
Payments to suppliers and claimants	(1,876,652)	(430,051)	(291,506)	(165,714)	(2,763,923)	(4,306,472)
Payments to employees	(2,642,048)	(327,766)	(2,755,814)	(284,686)	(6,010,314)	(3,946,815)
Payments for interfund services used	(775,134)	(237,077)	(1,433,214)	(187,542)	(2,632,967)	-
Net cash provided (used) by operating activities	<u>3,018,700</u>	<u>4,025</u>	<u>(2,326,634)</u>	<u>2,725</u>	<u>698,816</u>	<u>447,679</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Interfund borrowings	-	54,423	1,979,605	52,819	2,086,847	(5,808,082)
Transfers in	-	-	594,800	-	594,800	-
Transfers out	(403,690)	(31,517)	(124,350)	(60,492)	(620,049)	(50,179)
Intergovernmental revenue	-	-	-	11,701	11,701	-
Net cash provided (used) by noncapital financing activities	<u>(403,690)</u>	<u>22,906</u>	<u>2,450,055</u>	<u>4,028</u>	<u>2,073,299</u>	<u>(5,858,261)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(5,843,933)	-	-	-	(5,843,933)	-
Proceeds from long-term debt	4,207,652	-	-	-	4,207,652	-
Principal paid on long-term debt	(391,378)	(1,135,000)	-	-	(1,526,378)	-
Interest paid	(155,024)	(171,183)	(123,421)	(6,753)	(456,381)	-
Net cash used by capital and related financing activities	<u>(2,182,683)</u>	<u>(1,306,183)</u>	<u>(123,421)</u>	<u>(6,753)</u>	<u>(3,619,040)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	107,700	29,612	-	-	137,312	155,339
Net increase (decrease) in cash and cash equivalents	540,027	(1,249,640)	-	-	(709,613)	(5,255,243)
CASH AND INVESTMENTS, beginning of year	5,413,412	2,506,263	-	-	7,919,675	7,926,495
CASH AND INVESTMENTS, end 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>
RECONCILIATION TO STATEMENT OF NET ASSETS:						
Cash and investments	\$ 4,446,305	\$ -	\$ -	\$ -	\$ 4,446,305	\$ 2,586,252
Restricted cash and investments	1,507,134	1,256,623	-	-	2,763,757	85,000
CASH AND INVESTMENTS, end 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>

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, 2009**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer	Parking	Private Development	Airport		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 145,588	\$ (538,945)	\$ (2,258,128)	\$ (888,366)	\$ (3,539,851)	\$ (441,871)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,697,104	508,925	11,944	804,364	4,022,337	97,140
Miscellaneous revenues	2,495	-	-	67,102	69,597	133,891
Change in assets and liabilities:						
Accounts receivable	(131,021)	11,175	89,792	7,871	(22,183)	428
Intergovernmental receivables	-	(12,762)	-	6,908	(5,854)	61,688
Inventories	-	-	-	-	-	10,887
Other assets	(213,352)	34,609	-	(1,710)	(180,453)	34,093
Accounts payable	484,954	751	23,297	1,629	510,631	35,892
Accrued salaries and benefits	7,348	618	(6,227)	4,927	6,666	7,872
Intergovernmental payable	11,393	-	21,231	-	32,624	36,509
Compensated absences	14,191	(346)	(2,606)	-	11,239	35,382
Deferred revenue	-	-	(214,934)	-	(214,934)	-
Deposits	-	-	8,997	-	8,997	-
Claims liability	-	-	-	-	-	435,768
Total adjustments	2,873,112	542,970	(68,506)	891,091	4,238,667	889,550
Net cash provided (used) by operating activities	<u>\$ 3,018,700</u>	<u>\$ 4,025</u>	<u>\$ (2,326,634)</u>	<u>\$ 2,725</u>	<u>\$ 698,816</u>	<u>\$ 447,679</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Transfer of capital assets from Governmental funds	<u>\$ 18,128,077</u>	<u>\$ -</u>	<u>\$ 27,627</u>	<u>\$ 3,596,100</u>	<u>\$ 21,751,804</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, 2009

ASSETS

Restricted cash and investments	\$ 788,044
Receivables:	
Property taxes	3,165
Loans	<u>105,937</u>
Total assets	<u><u>\$ 897,146</u></u>

LIABILITIES

Special assessment deposits	<u>\$ 897,146</u>
Total liabilities	<u><u>\$ 897,146</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, 2009

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, 2009

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, 2009

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, 2009

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

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

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

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

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

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 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

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

purposes of recognizing the State initiated sales tax “true-up” a seven month availability period is used. For the current fiscal year, the State Controller’s Office advised that the Gas Tax payments due for the month of June would be delayed until December of 2009 and that the amount due should be accrued at June 30, 2009. Accordingly, the City has extended its availability period to allow for the accrual of these Gas Tax payments.

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, 2009 is \$8,288,971.

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, 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, 2009

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, 2009.

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, 2009

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, 2009

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, 2009

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 45

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions," which became effective July 1, 2008, provides standards for accounting and financial reporting for other post employment benefits other than pensions. The City has recognized a liability for these costs which are explained in Note III E.

GASB Statement 49

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," which became effective July 1, 2008, provides standards for accounting and financial reporting for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City does not believe an unfunded liability exists according to this Statement, although the Redevelopment Agency Fund has designated \$1,477,399 for future potential remediation obligations.

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 is currently analyzing the impact of the implementation of this Statement.

GASB Statement 55

GASB Statement No. 55, "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, 2009

II. DETAILED NOTES

A. CASH AND INVESTMENTS

At June 30, 2009, the City's cash and investments at fair value were as follows:

	<u>Government-wide</u> <u>Statement of Net Assets</u>		
	Primary Government	Fiduciary Fund Statement of Net Assets	Total
Cash and investments	\$ 88,372,229	\$ -	\$ 88,372,229
Restricted cash and investments	<u>13,550,551</u>	<u>788,044</u>	<u>14,338,595</u>
Total cash and investments	<u>\$ 101,922,780</u>	<u>\$ 788,044</u>	<u>\$ 102,710,824</u>

At June 30, 2009, the City's cash and investments consist of the following:

Cash in bank and petty cash	\$ 2,531,894
Investments	100,748,449
Outstanding checks and other reconciling items	<u>(569,519)</u>
Total cash and investments	<u>\$ 102,710,824</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, 2009

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). In December 2008, and as a result of the FDIC-sponsored Temporary Liquidity Guarantee Program (TLGP), all funds in non-interest bearing transaction deposit accounts held in domestic offices of FDIC-insured financial institutions will be fully guaranteed, provided the financial institution holding the deposits did not opt out of the TLGP. The City's depository did not opt out of the TLGP. Because the City's deposits are fully collateralized under the TLGP, collateralization under Government Code Section 53652 is waived. When the TLGP ends, the City's depository will revert to collateralizing the balance under the Government Code. 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, 2009, the City's balance in financial institutions was \$2,530,614. Of that amount, \$250,000 was covered by FDIC insurance, and \$2,280,614 was covered by the FDIC's Transaction Account Guarantee Program. 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, 2009

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, 2009, 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		-	-	-	-	\$ 2,531,894
Investments held by fiscal agents:						
Deposits		-	-	-	-	85,000
Money Market Mutual Funds	AAA/Aaa	\$ 3,502,578	-	-	-	3,502,578
Guaranteed Investment Contract	AAA/Aa3	-	-	-	\$ 8,455,840	8,455,840
Total investments held by fiscal agents						12,043,418
Investments held in City treasury:						
Local Agency Investment Fund	Not Rated	\$ 78,499,475	-	-	-	78,499,475
Money Market Mutual Funds	AAA/Aaa	\$ 5,214,071	-	-	-	5,214,071
Federal Home Loan Bank	AAA/Aaa	-	-	\$ 2,000,000	-	2,000,000
Federal Home Loan Mortgage Corp	AAA/Aaa	-	-	\$ 1,494,297	-	1,494,297
Federal National Mortgage Assn	AAA/Aaa	-	-	\$ 1,497,188	-	1,497,188
Total investments held in City treasury						88,705,031
Less outstanding checks and reconciling items						(569,519)
Total cash and investments						\$ 102,710,824

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, 2009

II. DETAILED NOTES (Continued)

B. RECEIVABLES AND DEFERRED REVENUE

RECEIVABLES:

The following summarizes the City's governmental activities receivables as of June 30, 2009:

	<u>Interest</u>	<u>Property Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Loans</u>	<u>Total</u>
Governmental activities:						
General Fund	\$ 220,564	\$ 624,173	\$ 1,038,152	\$ 3,125,860	\$ -	\$ 5,008,749
Housing Fund	433,555	-	-	455,221	3,988,568	4,877,344
Public Facilities Fund	-	-	27,267	28,292	182,040	237,599
Capital Grants Fund	-	-	-	3,412,479	-	3,412,479
Redevelopment Agency Fund	2,036,749	173,688	-	104,703	28,289,387	30,604,527
Other Nonmajor Governmental Funds	-	-	48,204	1,041,877	668,558	1,758,639
Total governmental activities	<u>\$ 2,690,868</u>	<u>\$ 797,861</u>	<u>\$ 1,113,623</u>	<u>\$ 8,168,432</u>	<u>\$ 33,128,553</u>	<u>\$ 45,899,337</u>

The loans receivable in the Housing Fund and Redevelopment Agency Fund of \$3,988,568 and \$28,289,387, 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 \$4,389,850, \$30,210,862 and \$168,450, respectively, reported in the Housing Fund, Redevelopment Agency Fund and Public Facilities Fund are not expected to be collected within one year.

The loans receivable in the Nonmajor Governmental Funds of \$668,558 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 \$574,084 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, 2009:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 84,183	\$ 31,168	\$ 115,351
Housing Fund	-	888,777	888,777
Capital Grants Fund	755,175	2,662,244	3,417,419
Redevelopment Agency Fund	-	2,197,129	2,197,129
Other Nonmajor Governmental Funds	64,794	-	64,794
Total governmental activities	<u>\$ 904,152</u>	<u>\$ 5,779,318</u>	<u>\$ 6,683,470</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, 2009

II. DETAILED NOTES (Continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 32,244,267	\$ 1,000,000	\$ (275,654)	\$ -	\$ 32,968,613
Construction in progress	9,743,812	17,746,362	(217,255)	(3,320,660)	23,952,259
Total capital assets, not being depreciated	<u>41,988,079</u>	<u>18,746,362</u>	<u>(492,909)</u>	<u>(3,320,660)</u>	<u>56,920,872</u>
Capital assets being depreciated:					
Buildings	16,867,907	-	-	3,320,660	20,188,567
Improvements other than buildings	19,068,048	-	-	-	19,068,048
Equipment, furniture and vehicles	14,253,253	254,050	(395,005)	-	14,112,298
Infrastructure:					
Roadway	222,434,080	5,969,194	-	-	228,403,274
Bridge	9,171,526	-	-	-	9,171,526
Drainage	41,915,327	1,956,818	-	-	43,872,145
Total capital assets, being depreciated	<u>323,710,141</u>	<u>8,180,062</u>	<u>(395,005)</u>	<u>3,320,660</u>	<u>334,815,858</u>
Less accumulated depreciation for:					
Buildings	(7,315,285)	(453,893)	-	-	(7,769,178)
Improvements other than buildings	(6,980,920)	(720,437)	-	-	(7,701,357)
Equipment, furniture and vehicles	(7,579,158)	(1,180,132)	373,228	-	(8,386,062)
Infrastructure:					
Roadway	(43,304,400)	(6,063,675)	-	-	(49,368,075)
Bridge	(2,792,499)	(183,431)	-	-	(2,975,930)
Drainage	(7,133,672)	(1,233,429)	-	-	(8,367,101)
Total accumulated depreciation	<u>(75,105,934)</u>	<u>(9,834,997)</u>	<u>373,228</u>	<u>-</u>	<u>(84,567,703)</u>
Total capital assets being depreciated, net	<u>248,604,207</u>	<u>(1,654,935)</u>	<u>(21,777)</u>	<u>3,320,660</u>	<u>250,248,155</u>
Governmental activities capital asset, net	<u>\$ 290,592,286</u>	<u>\$ 17,091,427</u>	<u>\$ (514,686)</u>	<u>\$ -</u>	<u>\$ 307,169,027</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

II. DETAILED NOTES (Continued)

C. CAPITAL ASSETS (Continued)

Reconciliation of Governmental activities capital asset additions:

Total capital assets, not being depreciated – additions	\$18,746,362
Total capital assets, being depreciated – additions	<u>8,180,062</u>
Governmental activity capital asset additions	<u>\$26,926,424</u>

Governmental Funds – capital outlay	\$41,745,354
Donations and contributed capital	6,090,037
Transfer of asset from Internal Service Fund	31,679
Governmental Funds donation of capital assets to Enterprise Funds	<u>(20,940,646)</u>
Governmental activity capital asset additions	<u>\$26,926,424</u>

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,154,341	\$ -	\$ -	\$ -	\$ 2,154,341
Construction in progress	<u>16,761,386</u>	<u>26,604,423</u>	<u>(346,102)</u>	-	<u>43,019,707</u>
Total capital assets, not being depreciated:	<u>18,915,727</u>	<u>26,604,423</u>	<u>(346,102)</u>	-	<u>45,174,048</u>
Capital assets, being depreciated:					
Buildings	19,315,199	-	-	-	19,315,199
Improvements other than buildings	86,306,915	811,158	-	-	87,118,073
Equipment, furniture and vehicles	<u>2,319,706</u>	<u>180,156</u>	-	-	<u>2,499,862</u>
Total capital assets, being depreciated:	<u>107,941,820</u>	<u>991,314</u>	-	-	<u>108,933,134</u>
Less accumulated depreciation for:					
Buildings	(7,943,281)	(598,579)	-	-	(8,541,860)
Improvements other than buildings	(29,181,293)	(2,900,329)	-	-	(32,081,622)
Equipment, furniture and vehicles	<u>(982,522)</u>	<u>(177,327)</u>	-	-	<u>(1,159,849)</u>
Total accumulated depreciation	<u>(38,107,096)</u>	<u>(3,676,235)</u>	-	-	<u>(41,783,331)</u>
Total capital assets being depreciated, net	<u>69,834,724</u>	<u>(2,684,921)</u>	-	-	<u>67,149,803</u>
Business-type activities capital assets, net	<u>\$ 88,750,451</u>	<u>\$ 23,919,502</u>	<u>\$ (346,102)</u>	<u>\$ -</u>	<u>\$ 112,323,851</u>

Reconciliation of Business-type activities capital asset additions:

Total capital assets, not being depreciated – additions	\$26,604,423
Total capital assets, being depreciated – additions	<u>991,314</u>
Business-type activity capital asset additions	<u>\$27,595,737</u>

Enterprise Funds – acquisition of capital assets	\$ 5,843,933
Donations and contributed capital	811,158
Governmental Funds “transfer” of capital assets to Enterprise Funds	<u>20,940,646</u>
Business-type activity capital asset additions	<u>\$27,595,737</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

II. DETAILED NOTES (Continued)

C. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 300,219
Public safety	1,140,237
Public works	7,822,747
Parks and recreation	474,654
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	97,140
Total depreciation expense - governmental activities	<u>\$ 9,834,997</u>
Business-type activities:	
Sewer	\$ 2,697,104
Parking	162,823
Private Development	11,944
Airport	<u>804,364</u>
Subtotal depreciation expense-business-type activities	3,676,235
Adjust for change in estimate of useful life - Parking Fund	346,102
Total depreciation expense - business-type activities	<u>\$ 4,022,337</u>

D. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Revenue bonds	\$ 115,795,000	\$ -	\$ (2,785,000)	\$ 113,010,000	\$ 2,970,000
Loan payable	26,946,214	18,221,197	(1,239,363)	43,928,048	1,271,587
Compensated absences	3,287,101	2,430,344	(2,041,680)	3,675,765	240,173
Self-insurance claims & settlements	13,413,094	1,807,650	(2,527,282)	12,693,462	2,040,123
OPEB Obligation	-	779,000	-	779,000	-
Subtotal	<u>159,441,409</u>	<u>23,238,191</u>	<u>(8,593,325)</u>	<u>174,086,275</u>	<u>6,521,883</u>
Add: Original issuance premium	887,587	-	(36,983)	850,604	-
Less: Deferred amount on refunding	(957,108)	-	56,300	(900,808)	-
Governmental activities long term liabilities	<u>\$ 159,371,888</u>	<u>\$ 23,238,191</u>	<u>\$ (8,574,008)</u>	<u>\$ 174,036,071</u>	<u>\$ 6,521,883</u>
Business-type activities:					
Revenue bonds	\$ 2,165,000	\$ -	\$ (1,135,000)	\$ 1,030,000	\$ 1,030,000
Loan payable	7,824,854	4,207,652	(391,378)	11,641,128	401,554
Compensated absences	454,411	269,882	(258,643)	465,650	30,426
Subtotal	<u>10,444,265</u>	<u>4,477,534</u>	<u>(1,785,021)</u>	<u>13,136,778</u>	<u>1,461,980</u>
Less: Deferred amount on refunding	(45,322)	-	45,080	(242)	(242)
Business-type activities long-term liabilities	<u>\$ 10,398,943</u>	<u>\$ 4,477,534</u>	<u>\$ (1,739,941)</u>	<u>\$ 13,136,536</u>	<u>\$ 1,461,738</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

II. DETAILED NOTES (Continued)

D. LONG-TERM LIABILITIES (Continued)

Governmental Activities:

Revenue Bonds

	<u>Amount</u>	<u>Totals</u>
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 4.00%-5.25%; serial bond payments due in semi-annual installments on October 1 and April 1 through April 1, 2024; term bonds of \$5,255,000 and \$3,890,000 due April 1, 2021 and 2024, respectively. The CPFA is subject to mandatory sinking fund payments ranging from \$1,235,000 to \$2,695,000 beginning 2020 and ending 2024.	\$ 24,715,000	
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.	67,060,000	
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.	<u>21,235,000</u>	
Total governmental revenue bonds payable		\$ 113,010,000

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 \$25,545,981.

17,641,731

A loan of \$40,624,861, interest at 2.60%, 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 \$33,906,137. 2009 construction draws on the loan were \$18,221,197. Interest will accrue upon disbursement and continue until project completion. No payments are due until one year after completion of the project.

26,286,317

Total governmental loans payable

43,928,048

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

II. DETAILED NOTES (Continued)

D. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

	<u>Amount</u>	<u>Totals</u>
Compensated absences - Policy discussed in Note ID		\$ 3,675,765
Liability for self-insurance claims - Discussed in Risk Management Note IIIA	\$ 5,943,462	
A legal settlement of \$7,905,400 was reached in early July 2008 and the liability as of June 30, 2009 was \$6,750,000.	<u>6,750,000</u>	
Total liability for self-insurance claims and settlements		12,693,462
OPEB Obligation - Discussed in OPEB Note IIIE		<u>779,000</u>
Subtotal governmental activities long-term debt		174,086,275
Add: Original issuance premium		850,604
Less: Deferred amount on refunding		<u>(900,808)</u>
Total governmental activities long-term debt		<u>\$ 174,036,071</u>

Business-Type Activities:

Revenue Bonds

	<u>Amount</u>	<u>Totals</u>
1994 Parking Revenue Bonds were issued in the original amount of \$3,490,000 for the purpose of constructing a three story parking garage and refunding the 1978 bonds. Interest rates for the remaining term of the Parking Revenue Bonds range from 6.0%-6.25%. A final bond redemption of \$1,030,000 will be paid in August 2009.		\$ 1,030,000

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.	5,571,073	
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A loan of \$40,624,861, interest at 2.60%, 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. 2009 construction draws on the loan were \$4,207,652.

Interest will accrue upon disbursement and continue until project completion. No payments are due until one year after completion of the project.

	<u>6,070,055</u>	
Total business-type activities loans payable		11,641,128
Compensated absences - Policy discussed in Note ID		<u>465,650</u>
Subtotal governmental activities long-term debt		13,136,778
Less: Deferred amount on refunding		<u>(242)</u>
Total business-type activities long-term debt		<u>\$ 13,136,536</u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 Water Pollution Control Plant expansion as no repayment schedule has been established by the State):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	4,241,587	5,787,480	1,431,554	176,624
2011	4,389,648	5,640,069	411,994	134,408
2012	4,553,569	5,471,110	422,706	123,696
2013	4,718,372	5,303,320	433,696	112,705
2014	4,894,079	5,127,812	444,972	101,429
2015-2019	27,994,363	22,604,672	2,404,536	327,472
2020-2024	28,220,114	16,501,526	1,051,615	41,188
2025-2029	29,840,000	10,058,019	-	-
2030-2032	21,800,000	2,215,500	-	-
Total	\$ 130,651,731	\$ 78,709,509	\$ 6,601,073	\$ 1,017,522

Interest expense in the amount of \$334,719 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 \$122,583,753, payable through April 2032. For the current year, principal and interest paid and total tax increment revenues were \$4,000,203 and \$32,047,126, 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 \$30,544,994, payable through April 2025. For the current year, principal and interest paid and total tax increment revenues were \$1,935,494 and \$32,047,126, 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 \$35,469,233, payable through April 2024. For the current year, principal and interest paid by the CPFA and total tax increment revenues were \$2,285,574 and \$32,047,126, respectively.

The Parking Enterprise Fund has pledged a portion of its net parking revenues to repay \$3,490,000 in 1994 Parking Revenue Bonds issued in January 1994 for the construction of a multi-tiered parking structure and to advance refund the 1978 Parking Lease Revenue Bonds. The Bonds were fully retired in August 2009 using available fund balance within the Fund.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

II. DETAILED NOTES (Continued)

F. INTERFUND BALANCES

Interfund balances as of June 30, 2009, consist of the following:

Due to/from other funds:

Due to:	Due from:		Total
	Nonmajor Governmental Funds	Internal Service Funds	
Housing Fund	\$ -	\$ 387,881	\$ 387,881
Capital Grants Fund	2,182,147	-	2,182,147
Parking Fund	54,423	-	54,423
Private Development Fund	-	206,238	206,238
Airport Fund	-	401,988	401,988
Internal Service Funds	179,188	-	179,188
Total	\$ 2,415,758	\$ 996,107	\$ 3,023,984

All due to/due from balances, except as noted, are short-term loans to cover temporary fund cash shortages as of June 30, 2009, and will be repaid early in 2009-10.

Advances from/to other funds:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
Self-Insurance Internal Service Fund	Private Development Fund	\$ 4,649,147
General Fund	Private Development Fund	<u>2,076,740</u>
	Total	<u>\$ 6,725,887</u>

A timeline for the \$6,725,887 payable to the General Fund 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 the General Fund.

G. DEFICIT FUND EQUITY

At June 30, 2009, the funds listed below reported deficit fund balances or net assets:

Fund	Amount
Capital Grants Capital Projects	\$ (2,954,142)
Private Development Enterprise	(7,441,991)

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, 2009

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	\$ -	\$ -	\$ -	\$ 2,241,746	\$ -
Nonmajor Governmental	463,994	-	4,097,717	-	403,690
Private Development	565,564	29,236	-	-	-
Total	<u>\$ 1,029,558</u>	<u>\$ 29,236</u>	<u>\$ 4,097,717</u>	<u>\$ 2,241,746</u>	<u>\$ 403,690</u>

Transfers to:	Transfers from:				
	Parking	Private Development	Airport	Internal Service Funds	Total
General Fund	\$ -	\$ 100,000	\$ -	\$ -	\$ 2,341,746
Nonmajor Governmental	31,517	24,350	60,492	18,500	5,100,260
Private Development	-	-	-	-	594,800
Total	<u>\$ 31,517</u>	<u>\$ 124,350</u>	<u>\$ 60,492</u>	18,500	<u>\$ 8,036,806</u>
		Transfer of capital asset to General Fund		31,679	
				<u>\$ 50,179</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, 2009 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, 2009

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, 2009, 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 \$5,074,354 for insurance losses through June 30, 2009, represents the estimated cost of settling self-insurance liability claims. The provision for insurance losses was established by an outside actuary using accepted actuarial methods. These methods consider case-basis reserves established by the City, the rate of loss development on older claims, the effects of IBNR claims and the effects of inflation and other economic factors to determine ultimate cost.

	Claims Liability	Current -Year Claims and Changes	Current-Year	Claims Liability
	July 1	in Estimate	Payments	June 30
2007-08	\$ 4,244,942	1,678,603	(1,216,269)	\$ 4,707,276
2008-09	4,707,276	1,554,058	(1,186,980)	5,074,354

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, 2009, were \$315,676.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

III. OTHER INFORMATION (Continued)

A. RISK MANAGEMENT (Continued)

The claims liability reported in the Self Insurance Internal Service Fund at June 30, 2009, 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 \$869,108 for insurance losses represents the estimated cost of settling self-insurance liability claims.

Changes in the claims liability are as follows:

	Claims Liability July 1	Current -Year Claims and Changes in Estimate	Current-Year Payments	Claims Liability June 30
2007-08	\$ 543,167	429,909	(172,658)	\$ 800,418
2008-09	800,418	253,592	(184,902)	869,108

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:

Name	Original Assessment	Interest Rates Remaining term	Balance at June 30, 2009
Mission Ranch	\$ 1,571,085	6.50-6.63%	\$ 450,000

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.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

III. OTHER INFORMATION (Continued)

C. CONTINGENCIES AND COMMITMENTS (Continued)

Construction commitments for major construction projects at June 30, 2009 totaled approximately \$72 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 \$40 million dollars has been expended and approximately \$14 million will be expended over the next two years.

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 is being used to finance the expansion and will be repaid though dedicated tax increment collected in the future. Approximately \$1.8 million has been expended and approximately \$47 million will be expended over the next eight years.

Other construction commitments include the East Fifth Ave Reconstruction, Cohasset Road Widening and Manzanita Corridor Reconstruction: These Projects are funded from various sources including grants, redevelopment funds and user fees. Approximately \$18.6 million has been expended to date and approximately \$11 million 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 2008-09, the rate was 20.917% for miscellaneous employees and 26.866% 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, 2009, the City's annual pension cost of \$3,569,785 and \$4,246,358 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, 2006, 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, 2009

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, 2007, the most recent CalPERS actuarial valuation date, the Miscellaneous and Safety Plans were funded 77.6% and 80.5% respectively. The actuarial accrued liability for benefits was \$102,419,370 and the actuarial value of assets was \$79,504,774, resulting in an unfunded actuarial accrued liability (UAAL) of \$22,914,596 for the Miscellaneous Plan. Also, the actuarial accrued liability for benefits was \$104,322,195 and the actuarial value of assets was \$84,029,544, resulting in an UAAL of \$20,292,651 for the Safety Plan. The covered payroll (annual payroll of active employees covered by the plan) was \$16,207,108 for Miscellaneous Plan employees and \$14,735,332 for Safety Plan employees, and the ratio of the UAAL to covered payroll was 141% for the Miscellaneous Plan and 138% 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
6/30/07	\$ 2,720,279	100%	-	\$ 2,935,180	100%	-
6/30/08	3,370,141	100%	-	4,024,794	100%	-
6/30/09	3,569,785	100%	-	4,246,358	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 \$231,000 during 2009 for the implied subsidy inherent in 2009 retiree-paid premiums.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 1,010,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	1,010,000
Contributions made	<u>(231,000)</u>
Increase in net OPEB obligation	779,000
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of year	<u>\$ 779,000</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 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/07	n/a	n/a	n/a
6/30/08	n/a	n/a	n/a
6/30/09	\$ 1,010,000	22.9%	\$ 779,000

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%

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.

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

III. OTHER INFORMATION (Continued)

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

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, 2009, the City does not have any arbitrage liability.

G. RESTATEMENT OF BEGINNING FUND BALANCE/NET ASSETS

At July 1, 2008, the City restated beginning fund balance in the Public Facilities Impact Fees Fund by \$3,079,288 to adjust for a prior year accrual of loan proceeds. It was determined that the loan proceeds received subsequent to June 30, 2008, should not have been accrued. This restatement will allow for a proper reconciliation between loan proceeds and loan additions in the City’s long-term liability note.

The restatement of beginning fund balance as previously reported is presented below:

	Public Facilities Impact Fees Fund Beginning Fund Balance
	<u> </u>
Fund balance, June 30, 2008, as previously reported	\$ 13,124,290
Less: Prior Year Accrual of Loan Proceeds	<u>(3,079,288)</u>
Fund balance, June 30, 2008, as restated	<u><u>\$ 10,045,002</u></u>

CITY OF CHICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

III. OTHER INFORMATION (Continued)

G. RESTATEMENT OF BEGINNING FUND BALANCE/NET ASSETS (Continued)

At July 1, 2008, the City increased beginning net assets in the Governmental Activities Statement of Net Assets by \$1,000,000 to adjust for a portion of a prior year settlement accrual related to the purchase of land that should have been reflected as a receivable instead of an expense.

The restatement of beginning net assets as previously reported is presented below:

	Statement of Activities Beginning Net Assets
Net Assets, June 30, 2008, as previously reported	\$ 276,217,770
Add: Adjustment for prior year expense that should have been classified as a receivable	<u>1,000,000</u>
Net Assets, June 30, 2008, as restated	<u><u>\$ 277,217,770</u></u>



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, 2009**

The information below, which is from the latest available actuarial valuation reports, shows a three-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
6/30/05	\$ 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%

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
6/30/05	\$ 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%

**CITY OF CHICO, CALIFORNIA
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
YEAR ENDED JUNE 30, 2009**

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 10,956,764	\$ 11,675,025	\$ 11,431,858	\$ (243,167)
Sales and use taxes	17,940,000	16,200,000	15,621,622	(578,378)
Other taxes	10,794,600	10,343,879	10,700,975	357,096
Licenses and permits	85,800	91,230	111,213	19,983
Intergovernmental	1,796,300	2,450,300	2,499,149	48,849
Charges for services	198,900	242,605	279,568	36,963
Fines, forfeitures, and penalties	897,800	794,200	739,959	(54,241)
Use of money and property	455,591	322,618	356,563	33,945
Miscellaneous	183,100	323,980	572,700	248,720
Total revenues	<u>43,308,855</u>	<u>42,443,837</u>	<u>42,313,607</u>	<u>(130,230)</u>
EXPENDITURES:				
Current:				
General government	1,736,634	1,881,208	1,507,741	373,467
Public safety	36,679,880	36,529,497	36,024,067	505,430
Public works	4,340,493	4,260,470	3,987,491	272,979
Parks and recreation	3,067,163	2,922,077	2,724,915	197,162
Community development	1,591,686	1,837,556	1,134,584	702,972
Community agencies	786,933	803,233	764,405	38,828
Capital outlay	-	91,800	89,503	2,297
Total expenditures	<u>48,202,789</u>	<u>48,325,841</u>	<u>46,232,706</u>	<u>2,093,135</u>
Deficiency of revenues under expenditures	<u>(4,893,934)</u>	<u>(5,882,004)</u>	<u>(3,919,099)</u>	<u>1,962,905</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,302,623	3,325,354	2,341,746	(983,608)
Transfers out	<u>(793,126)</u>	<u>(1,038,499)</u>	<u>(1,029,558)</u>	<u>8,941</u>
Total other financing sources (uses)	<u>2,509,497</u>	<u>2,286,855</u>	<u>1,312,188</u>	<u>(974,667)</u>
Net change in fund balance	(2,384,437)	(3,595,149)	(2,606,911)	988,238
Fund balance, beginning of year	<u>12,197,951</u>	<u>12,197,951</u>	<u>12,197,951</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,813,514</u>	<u>\$ 8,602,802</u>	<u>\$ 9,591,040</u>	<u>\$ 988,238</u>

See accompanying notes to required supplementary information.

**CITY OF CHICO, CALIFORNIA
HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		Actual	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	Budgetary Basis	
REVENUES:				
Intergovernmental	\$ 3,653,329	\$ 2,850,768	\$ 1,731,055	\$ (1,119,713)
Use of money and property	9,907	9,907	26,045	16,138
Miscellaneous	6,585	6,585	-	(6,585)
Total revenues	<u>3,669,821</u>	<u>2,867,260</u>	<u>1,757,100</u>	<u>(1,110,160)</u>
EXPENDITURES:				
Current:				
Community development	<u>3,669,821</u>	<u>2,664,466</u>	<u>2,255,618</u>	<u>408,848</u>
Excess (deficiency) of revenues over (under) expenditures	-	202,794	(498,518)	(701,312)
Fund balance, beginning of year	<u>3,299,516</u>	<u>3,299,516</u>	<u>3,299,516</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,299,516</u></u>	<u><u>\$ 3,502,310</u></u>	<u><u>\$ 2,800,998</u></u>	<u><u>\$ (701,312)</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	\$ 3,525,498
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>\$ 2,800,998</u></u>

See accompanying notes to required supplementary information.

**CITY OF CHICO, CALIFORNIA
REDEVELOPMENT AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	
Property taxes	\$29,849,362	\$30,920,080	\$ 32,047,126	\$ 1,127,046
Charges for services	26,758	26,758	25,049	(1,709)
Use of money and property	2,460,886	2,204,135	2,033,984	(170,151)
Miscellaneous	154,805	167,441	227,927	60,486
Total revenues	32,491,811	33,318,414	34,334,086	1,015,672
EXPENDITURES:				
Current:				
Community development	831,441	822,019	848,476	(26,457)
Redevelopment	20,857,723	29,755,302	18,330,173	11,425,129
Capital outlay	13,801,499	23,862,421	15,299,124	8,563,297
Debt Service				
Principal retirement	1,760,000	1,760,000	1,760,000	-
Interest and fiscal charges	4,178,197	4,178,197	4,180,003	(1,806)
Total expenditures	41,428,860	60,377,939	40,417,776	19,961,969
Excess (deficiency) of revenues over (under) expenditures	(8,937,049)	(27,059,525)	(6,083,690)	20,975,835
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,440,506)	(4,051,981)	(4,097,717)	(45,736)
Net change in fund balance	(13,377,555)	(31,111,506)	(10,181,407)	20,930,099
Fund balance, beginning of year	86,687,088	86,687,088	86,687,088	-
Fund balance, end of year	\$73,309,533	\$55,575,582	\$ 76,505,681	\$ 20,930,099

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	\$ 79,510,102
The Agency budgets loan payments received in the revenues accounts, but adjusts actual payments to loans receivable.	212,427
The Agency budgets and records loans made in the Redevelopment expenditure accounts but adjusts the actual disbursement to loans receivable	(2,736,848)
The Agency budgeted the purchase of land held for resale as a Redevelopment expenditure, but adjusts the actual expenditure to Assets Held for Resale	(480,000)
Budgetary fund balance	<u>\$ 76,505,681</u>

See accompanying notes to required supplementary information.

CITY OF CHICO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	4,581,907	2,185,807	2,315,733	129,926
Use of money and property	478,149	490,227	254,722	(235,505)
Total revenues	<u>5,060,056</u>	<u>2,676,034</u>	<u>2,570,455</u>	<u>(105,579)</u>
EXPENDITURES:				
Current:				
Community development	5,840,241	2,765,742	1,756,592	1,009,150
Capital outlay	30,651,006	28,265,031	18,514,703	9,750,328
Debt Service:				
Principal retirement	1,239,363	1,239,363	1,239,363	-
Interest and fiscal charges	490,908	490,908	490,908	-
Total expenditures	<u>38,221,518</u>	<u>32,761,044</u>	<u>22,001,566</u>	<u>10,759,478</u>
Deficiency of revenues under expenditures	<u>(33,161,462)</u>	<u>(30,085,010)</u>	<u>(19,431,111)</u>	<u>10,653,899</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(109,453)	(56,477)	(29,236)	27,241
Proceeds of long-term debt	22,995,320	22,995,320	18,221,197	(4,774,123)
Total other financing sources (uses)	<u>22,885,867</u>	<u>22,938,843</u>	<u>18,191,961</u>	<u>(4,746,882)</u>
Net change in fund balance	(10,275,595)	(7,146,167)	(1,239,150)	5,907,017
Fund balance, beginning of year - as restated	<u>10,045,002</u>	<u>10,045,002</u>	<u>10,045,002</u>	<u>-</u>
Fund balance, end of year	<u>\$ (230,593)</u>	<u>\$ 2,898,835</u>	<u>\$ 8,805,852</u>	<u>\$ 5,907,017</u>

**CITY OF CHICO, CALIFORNIA
CAPITAL GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 8,348,136	\$ 13,998,648	\$ 4,893,025	\$ (9,105,623)
Use of money and property	450,000	-	-	-
Total revenues	<u>8,798,136</u>	<u>13,998,648</u>	<u>4,893,025</u>	<u>(9,105,623)</u>
EXPENDITURES:				
Current:				
General government	210,950	83,670	22,392	61,278
Public works	450,000	141,028	42,515	98,513
Parks and recreation	234,845	1,087,842	776,853	310,989
Capital outlay	<u>7,902,341</u>	<u>11,561,587</u>	<u>5,880,884</u>	<u>5,680,703</u>
Total expenditures	<u>8,798,136</u>	<u>12,874,127</u>	<u>6,722,644</u>	<u>6,151,483</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>1,124,521</u>	<u>(1,829,619)</u>	<u>(2,954,140)</u>
Fund balance, beginning of year	<u>(1,124,523)</u>	<u>(1,124,523)</u>	<u>(1,124,523)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (1,124,523)</u></u>	<u><u>\$ (2)</u></u>	<u><u>\$ (2,954,142)</u></u>	<u><u>\$ (2,954,140)</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 21st 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, 2009**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 7,741,424	\$ -	\$ 10,287,463	\$ 18,028,887
Receivables:				
Accounts	26,613	-	21,591	48,204
Intergovernmental	1,040,359	-	1,518	1,041,877
Loans	71,757	-	596,801	668,558
Due from other funds	85,050	-	2,330,708	2,415,758
Deposits with others	59,864	-	4,396	64,260
Restricted assets:				
Cash and investments	-	1,729,375	-	1,729,375
Total assets	<u>\$ 9,025,067</u>	<u>\$ 1,729,375</u>	<u>\$ 13,242,477</u>	<u>\$ 23,996,919</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 389,408	\$ -	\$ 114,313	\$ 503,721
Accrued salaries and benefits	10,333	-	68,482	78,815
Intergovernmental payable	15,451	-	-	15,451
Deferred revenue	64,794	-	-	64,794
Total liabilities	<u>479,986</u>	<u>-</u>	<u>182,795</u>	<u>662,781</u>
Fund balances:				
Reserved for:				
Encumbrances	327,262	-	475,506	802,768
Deposits with others	59,864	-	4,396	64,260
Debt service	-	1,729,375	-	1,729,375
Loans receivable	71,757	-	596,801	668,558
Unreserved/designated for:				
Capital replacement	1,191,993	-	-	1,191,993
Unreserved/undesignated	6,894,205	-	11,982,979	18,877,184
Total fund balances	<u>8,545,081</u>	<u>1,729,375</u>	<u>13,059,682</u>	<u>23,334,138</u>
Total liabilities and fund balances	<u>\$ 9,025,067</u>	<u>\$ 1,729,375</u>	<u>\$ 13,242,477</u>	<u>\$ 23,996,919</u>

CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental	\$ 5,844,004	\$ -	\$ -	\$ 5,844,004
Charges for services	1,105,879	-	206,391	1,312,270
Fines, forfeitures, and penalties	155,060	-	-	155,060
Use of money and property	160,823	89,318	283,826	533,967
Miscellaneous	117	-	-	117
Total revenues	<u>7,265,883</u>	<u>89,318</u>	<u>490,217</u>	<u>7,845,418</u>
EXPENDITURES:				
Current:				
General government	101,221	-	143,958	245,179
Public safety	162,863	-	-	162,863
Public works	4,325,685	-	297,878	4,623,563
Capital outlay	-	-	1,961,140	1,961,140
Debt service:				
Principal retirement	-	1,025,000	-	1,025,000
Interest and fiscal charges	-	1,263,519	-	1,263,519
Total expenditures	<u>4,589,769</u>	<u>2,288,519</u>	<u>2,402,976</u>	<u>9,281,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,676,114</u>	<u>(2,199,201)</u>	<u>(1,912,759)</u>	<u>(1,435,846)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	34,219	2,197,717	2,868,324	5,100,260
Transfers out	<u>(2,241,746)</u>	<u>-</u>	<u>-</u>	<u>(2,241,746)</u>
Total other financing sources (uses)	<u>(2,207,527)</u>	<u>2,197,717</u>	<u>2,868,324</u>	<u>2,858,514</u>
Net change in fund balances	468,587	(1,484)	955,565	1,422,668
Fund balances, beginning of year	<u>8,076,494</u>	<u>1,730,859</u>	<u>12,104,117</u>	<u>21,911,470</u>
Fund balances, end of year	<u><u>\$ 8,545,081</u></u>	<u><u>\$ 1,729,375</u></u>	<u><u>\$ 13,059,682</u></u>	<u><u>\$ 23,334,138</u></u>

**CITY OF CHICO, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009**

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and investments	\$ 48,206	\$ 1,519,974	\$ 1,847,896	\$ 3,317,580	\$ 1,007,768	\$ 7,741,424
Receivables:						
Accounts	-	575	-	-	26,038	26,613
Intergovernmental	22,721	64,728	637,659	295,150	20,101	1,040,359
Loans	-	-	-	-	71,757	71,757
Due from other funds	-	-	-	-	85,050	85,050
Deposits with others	-	-	-	59,864	-	59,864
Total assets	<u>\$ 70,927</u>	<u>\$ 1,585,277</u>	<u>\$ 2,485,555</u>	<u>\$ 3,672,594</u>	<u>\$ 1,210,714</u>	<u>\$ 9,025,067</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,051	\$ 31,022	\$ 6,790	\$ 346,404	\$ 2,141	\$ 389,408
Accrued salaries and benefits	2,288	1,992	6,053	-	-	10,333
Intergovernmental payable	-	-	15,451	-	-	15,451
Deferred revenue	64,794	-	-	-	-	64,794
Total liabilities	<u>70,133</u>	<u>33,014</u>	<u>28,294</u>	<u>346,404</u>	<u>2,141</u>	<u>479,986</u>
Fund balances:						
Reserved for:						
Encumbrances	-	2,250	12,352	312,660	-	327,262
Deposits with others	-	-	-	59,864	-	59,864
Loans receivable	-	-	-	-	71,757	71,757
Unreserved/designated for:						
Capital replacement	-	1,191,993	-	-	-	1,191,993
Unreserved/undesignated	794	358,020	2,444,909	2,953,666	1,136,816	6,894,205
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 70,927</u>	<u>\$ 1,585,277</u>	<u>\$ 2,485,555</u>	<u>\$ 3,672,594</u>	<u>\$ 1,210,714</u>	<u>\$ 9,025,067</u>

CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	Operating Grants	Community Maintenance Districts	Transportation	Gas Tax	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
REVENUES:						
Intergovernmental	\$ 168,105	\$ -	\$ 2,745,130	\$ 2,930,769	\$ -	\$ 5,844,004
Charges for services	-	920,734	521	-	184,624	1,105,879
Fines, forfeitures, and penalties	-	-	-	-	155,060	155,060
Use of money and property	153	31,595	34,631	71,217	23,227	160,823
Miscellaneous	-	-	-	-	117	117
Total revenues	<u>168,258</u>	<u>952,329</u>	<u>2,780,282</u>	<u>3,001,986</u>	<u>363,028</u>	<u>7,265,883</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	101,221	101,221
Public safety	130,507	-	-	-	32,356	162,863
Public works	-	769,820	2,473,474	1,082,391	-	4,325,685
Total expenditures	<u>130,507</u>	<u>769,820</u>	<u>2,473,474</u>	<u>1,082,391</u>	<u>133,577</u>	<u>4,589,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,751</u>	<u>182,509</u>	<u>306,808</u>	<u>1,919,595</u>	<u>229,451</u>	<u>2,676,114</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	13,994	20,225	-	-	34,219
Transfers out	-	-	-	(2,100,000)	(141,746)	(2,241,746)
Total other financing sources (uses)	<u>-</u>	<u>13,994</u>	<u>20,225</u>	<u>(2,100,000)</u>	<u>(141,746)</u>	<u>(2,207,527)</u>
Net change in fund balances	37,751	196,503	327,033	(180,405)	87,705	468,587
Fund balances, beginning of year	<u>(36,957)</u>	<u>1,355,760</u>	<u>2,130,228</u>	<u>3,506,595</u>	<u>1,120,868</u>	<u>8,076,494</u>
Fund balances, end 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>

**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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 162,997	\$ 246,683	\$ 168,105	\$ (78,578)
Use of money and property	-	-	153	153
Total revenues	<u>162,997</u>	<u>246,683</u>	<u>168,258</u>	<u>(78,425)</u>
EXPENDITURES:				
Current:				
Public safety	<u>169,879</u>	<u>143,699</u>	<u>130,507</u>	<u>13,192</u>
Excess (deficiency) of revenues over (under) expenditures	(6,882)	102,984	37,751	(65,233)
OTHER FINANCING SOURCES:				
Transfers in	<u>4,627</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,255)	102,984	37,751	(65,233)
Fund balance, beginning of year	<u>(36,957)</u>	<u>(36,957)</u>	<u>(36,957)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (39,212)</u>	<u>\$ 66,027</u>	<u>\$ 794</u>	<u>\$ (65,233)</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 638,995	\$ 656,524	\$ 920,734	\$ 264,210
Use of money and property	26,710	26,710	31,595	4,885
Total revenues	<u>665,705</u>	<u>683,234</u>	<u>952,329</u>	<u>269,095</u>
EXPENDITURES:				
Current:				
Public works	765,799	780,118	769,820	10,298
Excess of revenues over expenditures	(100,094)	(96,884)	182,509	279,393
OTHER FINANCING SOURCES (USES):				
Transfers in	22,935	22,935	13,994	(8,941)
Net change in fund balance	(77,159)	(73,949)	196,503	270,452
Fund balance, beginning of year	<u>1,355,760</u>	<u>1,355,760</u>	<u>1,355,760</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,278,601</u>	<u>\$ 1,281,811</u>	<u>\$ 1,552,263</u>	<u>\$ 270,452</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 3,117,322	\$2,422,452	\$ 2,745,130	\$ 322,678
Charges for services	720	720	521	(199)
Use of money and property	27,536	27,536	34,631	7,095
Total revenues	<u>3,145,578</u>	<u>2,450,708</u>	<u>2,780,282</u>	<u>329,574</u>
EXPENDITURES:				
Current:				
Public works	<u>2,754,214</u>	<u>2,698,586</u>	<u>2,473,474</u>	<u>225,112</u>
Excess (deficiency) of revenues over (under) expenditures				
	<u>391,364</u>	<u>(247,878)</u>	<u>306,808</u>	<u>554,686</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	20,000	20,000	20,225	225
Transfers out	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>1,000,000</u>
Total other financing sources (uses)	<u>(980,000)</u>	<u>(980,000)</u>	<u>20,225</u>	<u>1,000,225</u>
Net change in fund balance	(588,636)	(1,227,878)	327,033	1,554,911
Fund balance, beginning of year	<u>2,130,228</u>	<u>2,130,228</u>	<u>2,130,228</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,541,592</u>	<u>\$ 902,350</u>	<u>\$ 2,457,261</u>	<u>\$ 1,554,911</u>

**CITY OF CHICO, CALIFORNIA
GAS TAX FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ 3,104,690	\$ 4,189,950	\$ 2,930,769	\$ (1,259,181)
Use of money and property	65,013	65,013	71,217	6,204
Total revenues	<u>3,169,703</u>	<u>4,254,963</u>	<u>3,001,986</u>	<u>(1,252,977)</u>
EXPENDITURES:				
Current:				
Public works	1,502,524	2,868,764	1,082,391	1,786,373
Capital outlay	-	1,357,452	-	1,357,452
Total expenditures	<u>1,502,524</u>	<u>4,226,216</u>	<u>1,082,391</u>	<u>3,143,825</u>
Excess (deficiency) of revenues over (under) expenditures	1,667,179	28,747	1,919,595	1,890,848
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>-</u>
Net change in fund balance	(432,821)	(2,071,253)	(180,405)	1,890,848
Fund balance, beginning of year	<u>3,506,595</u>	<u>3,506,595</u>	<u>3,506,595</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,073,774</u></u>	<u><u>\$ 1,435,342</u></u>	<u><u>\$ 3,326,190</u></u>	<u><u>\$ 1,890,848</u></u>

**CITY OF CHICO, CALIFORNIA
OTHER SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 125,000	\$ 170,000	\$ 184,624	\$ 14,624
Fines, forfeitures and penalties	104,477	141,208	155,060	13,852
Use of money and property	21,137	21,137	23,227	2,090
Miscellaneous	2,889	2,889	117	(2,772)
Total revenues	<u>253,503</u>	<u>335,234</u>	<u>363,028</u>	<u>27,794</u>
EXPENDITURES:				
Current:				
General government	97,197	122,646	101,221	21,425
Public safety	-	32,304	32,356	(52)
Total expenditures	<u>97,197</u>	<u>154,950</u>	<u>133,577</u>	<u>21,373</u>
Excess (deficiency) of revenues over (under) expenditures	156,306	180,284	229,451	49,167
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(108,968)</u>	<u>(131,699)</u>	<u>(141,746)</u>	<u>(10,047)</u>
Net change in fund balance	47,338	48,585	87,705	39,120
Fund balance, beginning of year	<u>1,120,868</u>	<u>1,120,868</u>	<u>1,120,868</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,168,206</u></u>	<u><u>\$ 1,169,453</u></u>	<u><u>\$ 1,208,573</u></u>	<u><u>\$ 39,120</u></u>

**CITY OF CHICO, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2009**

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

**CITY OF CHICO, CALIFORNIA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2009**

	Chico Public Financing Authority Bonds	Total Nonmajor Debt Service Funds
	<u> </u>	<u> </u>
REVENUES:		
Use of money and property	\$ 89,318	\$ 89,318
EXPENDITURES:		
Debt service:		
Principal retirement	1,025,000	1,025,000
Interest and fiscal charges	<u>1,263,519</u>	<u>1,263,519</u>
Total expenditures	<u>2,288,519</u>	<u>2,288,519</u>
Excess (deficiency) of revenues over (under) expenditures	(2,199,201)	(2,199,201)
OTHER FINANCING SOURCES (USES):		
Transfers in	<u>2,197,717</u>	<u>2,197,717</u>
Net change in fund balance	(1,484)	(1,484)
Fund balance, beginning of year	<u>1,730,859</u>	<u>1,730,859</u>
Fund balance, end of year	<u><u>\$ 1,729,375</u></u>	<u><u>\$ 1,729,375</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, 2009**

	<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	\$ 89,318	\$ (1,357)
EXPENDITURES:				
Debt service:				
Principal retirement	1,025,001	1,025,001	1,025,000	1
Interest and fiscal charges	1,263,573	1,263,573	1,263,519	54
Total expenditures	2,288,574	2,288,574	2,288,519	55
Deficiency of revenues under expenditures	(2,197,899)	(2,197,899)	(2,199,201)	(1,302)
OTHER FINANCING SOURCES:				
Transfers in	2,197,889	2,151,981	2,197,717	45,736
Net change in fund balance	(10)	(45,918)	(1,484)	44,434
Fund balance, beginning of year	1,730,859	1,730,859	1,730,859	-
Fund balance, end of year	<u>\$ 1,730,849</u>	<u>\$ 1,684,941</u>	<u>\$ 1,729,375</u>	<u>\$ 44,434</u>

**CITY OF CHICO, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009**

	<u>Capital Improvements</u>	<u>Chico Urban Area Joint Powers Financing Authority</u>	<u>Fleet Replacement and Facility Maintenance</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS				
Cash and investments	\$ 4,480,252	\$ 3,905,405	\$ 1,901,806	\$ 10,287,463
Receivables:				
Accounts	21,591	-	-	21,591
Intergovernmental	1,518	-	-	1,518
Loans	-	-	596,801	596,801
Deposits with others	4,396	-	-	4,396
Due from other funds	-	-	2,330,708	2,330,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,507,757</u>	<u>\$ 3,905,405</u>	<u>\$ 4,829,315</u>	<u>\$ 13,242,477</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 72,151	\$ -	\$ 42,162	\$ 114,313
Accrued salaries and benefits	68,482	-	-	68,482
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>140,633</u>	<u>-</u>	<u>42,162</u>	<u>182,795</u>
Fund balances:				
Reserved for:				
Encumbrances	427,224	-	48,282	475,506
Deposits with others	4,396	-	-	4,396
Loans receivable	-	-	596,801	596,801
Unreserved/undesignated	3,935,504	3,905,405	4,142,070	11,982,979
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>4,367,124</u>	<u>3,905,405</u>	<u>4,787,153</u>	<u>13,059,682</u>
Total liabilities and fund balances	<u>\$ 4,507,757</u>	<u>\$ 3,905,405</u>	<u>\$ 4,829,315</u>	<u>\$ 13,242,477</u>

**CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009**

	Capital Improvements	Chico Urban Area Joint Powers Financing Authority	Fleet Replacement and Facility Maintenance	Total Nonmajor Capital Projects Funds
REVENUES:				
Charges for services	\$ 206,391	\$ -	\$ -	\$ 206,391
Use of money and property	81,391	108,648	93,787	283,826
Total revenues	<u>287,782</u>	<u>108,648</u>	<u>93,787</u>	<u>490,217</u>
EXPENDITURES:				
Current:				
General government	-	-	143,958	143,958
Public works	291,278	6,600	-	297,878
Capital outlay	-	1,800,646	160,494	1,961,140
Total expenditures	<u>291,278</u>	<u>1,807,246</u>	<u>304,452</u>	<u>2,402,976</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,496)</u>	<u>(1,698,598)</u>	<u>(210,665)</u>	<u>(1,912,759)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>400,000</u>	<u>1,900,000</u>	<u>568,324</u>	<u>2,868,324</u>
Net change in fund balances	396,504	201,402	357,659	955,565
Fund balances, beginning of year	<u>3,970,620</u>	<u>3,704,003</u>	<u>4,429,494</u>	<u>12,104,117</u>
Fund balances, end of year	<u>\$ 4,367,124</u>	<u>\$ 3,905,405</u>	<u>\$ 4,787,153</u>	<u>\$ 13,059,682</u>

**CITY OF CHICO, CALIFORNIA
CAPITAL IMPROVEMENTS FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 333,707	\$ 228,057	\$ 206,391	\$ (21,666)
Use of money and property	145,654	145,654	81,391	(64,263)
Total revenues	<u>479,361</u>	<u>373,711</u>	<u>287,782</u>	<u>(85,929)</u>
EXPENDITURES:				
Current:				
Public works	1,134,690	1,618,976	291,278	1,327,698
Capital outlay	400,000	1,551,494	-	1,551,494
Total expenditures	<u>1,534,690</u>	<u>3,170,470</u>	<u>291,278</u>	<u>2,879,192</u>
Excess (deficiency) of revenues over (under) expenditures	(1,055,329)	(2,796,759)	(3,496)	2,793,263
OTHER FINANCING SOURCES (USES):				
Transfers in	400,000	400,000	400,000	-
Net change in fund balance	(655,329)	(2,396,759)	396,504	2,793,263
Fund balance, beginning of year	<u>3,970,620</u>	<u>3,970,620</u>	<u>3,970,620</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,315,291</u>	<u>\$ 1,573,861</u>	<u>\$ 4,367,124</u>	<u>\$ 2,793,263</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, 2009

	<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	\$ -	\$ 108,603	\$ 108,648	\$ 45
EXPENDITURES:				
Current:				
Public works	6,600	10,000	6,600	3,400
Capital outlay	3,588,074	4,106,205	1,800,646	2,305,559
Total expenditures	3,594,674	4,116,205	1,807,246	2,308,959
Excess (deficiency) of revenues over (under) expenditures	(3,594,674)	(4,007,602)	(1,698,598)	2,309,004
OTHER FINANCING SOURCES (USES):				
Transfers in	1,900,000	1,900,000	1,900,000	-
Proceeds of long-term debt	923,558	3,292,196	-	(3,292,196)
Total other financing sources (uses)	2,823,558	5,192,196	1,900,000	(3,292,196)
Net change in fund balance	(771,116)	1,184,594	201,402	(983,192)
Fund balance, beginning of year	3,704,003	3,704,003	3,704,003	-
Fund balance, end of year	<u>\$ 2,932,887</u>	<u>\$ 4,888,597</u>	<u>\$ 3,905,405</u>	<u>\$ (983,192)</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, 2009**

	<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	\$ 231,532	\$ 153,421	\$ 93,787	\$ (59,634)
EXPENDITURES:				
Current:				
General government	375,870	206,411	143,958	62,453
Capital outlay	755,168	950,747	160,494	790,253
Total expenditures	<u>1,131,038</u>	<u>1,157,158</u>	<u>304,452</u>	<u>852,706</u>
Excess (deficiency) of revenues over (under) expenditures	(899,506)	(1,003,737)	(210,665)	793,072
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>568,324</u>	<u>568,324</u>	<u>568,324</u>	<u>-</u>
Net change in fund balance	(331,182)	(435,413)	357,659	793,072
Fund balance, beginning of year	<u>4,429,494</u>	<u>4,429,494</u>	<u>4,429,494</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,098,312</u></u>	<u><u>\$ 3,994,081</u></u>	<u><u>\$ 4,787,153</u></u>	<u><u>\$ 793,072</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, 2009

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
ASSETS					
Current assets:					
Cash and investments	\$ 2,260,160	\$ -	\$ 86,333	\$ 239,759	\$ 2,586,252
Receivables:					
Accounts	72	48	-	-	120
Intergovernmental	-	105,481	-	-	105,481
Due from other funds	996,107	-	-	-	996,107
Inventories	-	50,474	-	-	50,474
Other assets	153,008	-	-	15,454	168,462
Total current assets	<u>3,409,347</u>	<u>156,003</u>	<u>86,333</u>	<u>255,213</u>	<u>3,906,896</u>
Noncurrent assets:					
Restricted cash and investments	85,000	-	-	-	85,000
Advances to other funds	4,649,147	-	-	-	4,649,147
Land and construction in progress	-	30,391	-	-	30,391
Other capital assets, net of accumulated depreciation	-	68,195	-	98,398	166,593
Total noncurrent assets	<u>4,734,147</u>	<u>98,586</u>	<u>-</u>	<u>98,398</u>	<u>4,931,131</u>
 Total assets	 <u>8,143,494</u>	 <u>254,589</u>	 <u>86,333</u>	 <u>353,611</u>	 <u>8,838,027</u>
LIABILITIES					
Current liabilities:					
Accounts payable	146,481	90,771	54,598	44,013	335,863
Accrued salaries and benefits	5,050	17,278	8,492	32,623	63,443
Intergovernmental payable	-	-	-	36,509	36,509
Due to other funds	-	94,138	-	85,050	179,188
Compensated absences - current portion	2,351	3,424	1,519	10,155	17,449
Claims liability - current portion	1,790,123	-	-	-	1,790,123
Total current liabilities	<u>1,944,005</u>	<u>205,611</u>	<u>64,609</u>	<u>208,350</u>	<u>2,422,575</u>
Noncurrent liabilities:					
Compensated absences	33,632	48,978	21,724	145,261	249,595
Claims liability	4,153,339	-	-	-	4,153,339
Total noncurrent liabilities	<u>4,186,971</u>	<u>48,978</u>	<u>21,724</u>	<u>145,261</u>	<u>4,402,934</u>
 Total liabilities	 <u>6,130,976</u>	 <u>254,589</u>	 <u>86,333</u>	 <u>353,611</u>	 <u>6,825,509</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	98,586	-	98,398	196,984
Unrestricted	2,012,518	(98,586)	-	(98,398)	1,815,534
 Total net assets	 <u>\$ 2,012,518</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,012,518</u>

CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	Self Insurance	Central Garage	Municipal Building Maintenance	Information Services	Total
OPERATING REVENUES:					
Charges for services - internal	\$ 3,330,242	\$ 1,689,633	\$ 946,579	\$ 2,036,770	\$ 8,003,224
Charges for services - external	-	501,735	-	-	501,735
Total operating revenues	<u>3,330,242</u>	<u>2,191,368</u>	<u>946,579</u>	<u>2,036,770</u>	<u>8,504,959</u>
OPERATING EXPENSES:					
Salaries and benefits	1,396,100	799,890	404,326	1,389,753	3,990,069
Materials and supplies	1,004	1,254,326	232,038	48,655	1,536,023
Purchased services	1,089,553	76,032	267,480	333,507	1,766,572
Other expenses	1,303,401	39,950	33,161	180,514	1,557,026
Depreciation	-	12,799	-	84,341	97,140
Total operating expenses	<u>3,790,058</u>	<u>2,182,997</u>	<u>937,005</u>	<u>2,036,770</u>	<u>8,946,830</u>
Operating income	<u>(459,816)</u>	<u>8,371</u>	<u>9,574</u>	<u>-</u>	<u>(441,871)</u>
NONOPERATING REVENUES:					
Investment earnings	155,339	-	-	-	155,339
Miscellaneous	133,336	555	-	-	133,891
Total nonoperating revenues	<u>288,675</u>	<u>555</u>	<u>-</u>	<u>-</u>	<u>289,230</u>
Income before contributions and transfers	(171,141)	8,926	9,574	-	(152,641)
Transfers out	<u>(31,679)</u>	<u>(8,926)</u>	<u>(9,574)</u>	<u>-</u>	<u>(50,179)</u>
Change in net assets	(202,820)	-	-	-	(202,820)
Net assets, beginning of year	<u>2,215,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,215,338</u>
Net assets, end of year	<u>\$ 2,012,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,012,518</u>

**CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009**

	<u>Self Insurance</u>	<u>Central Garage</u>	<u>Municipal Building Maintenance</u>	<u>Information Services</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from services provided	\$ 3,463,506	\$ 2,254,111	\$ 946,579	\$ 2,036,770	\$ 8,700,966
Payments to suppliers and claimants	(1,892,990)	(1,370,836)	(538,612)	(504,034)	(4,306,472)
Payments to employees	(1,392,265)	(795,862)	(399,012)	(1,359,676)	(3,946,815)
Net cash provided (used) by operating activities	<u>178,251</u>	<u>87,413</u>	<u>8,955</u>	<u>173,060</u>	<u>447,679</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund borrowings	(5,645,254)	(78,487)	-	(84,341)	(5,808,082)
Transfers out	(31,679)	(8,926)	(9,574)	-	(50,179)
Net cash provided (used) by noncapital financing activities	<u>(5,676,933)</u>	<u>(87,413)</u>	<u>(9,574)</u>	<u>(84,341)</u>	<u>(5,858,261)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	<u>155,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,339</u>
Net increase (decrease) in cash and cash equivalents	(5,343,343)	-	(619)	88,719	(5,255,243)
Cash and cash equivalents, beginning of year	7,688,503	-	86,952	151,040	7,926,495
Cash and cash equivalents, end of year	<u>\$ 2,345,160</u>	<u>\$ -</u>	<u>\$ 86,333</u>	<u>\$ 239,759</u>	<u>\$ 2,671,252</u>
RECONCILIATION TO STATEMENT OF NET ASSETS:					
Cash and investments	\$ 2,260,160	\$ -	\$ 86,333	\$ 239,759	\$ 2,586,252
Restricted cash and investments	85,000	-	-	-	85,000
CASH AND INVESTMENTS, end of year	<u>\$ 2,345,160</u>	<u>\$ -</u>	<u>\$ 86,333</u>	<u>\$ 239,759</u>	<u>\$ 2,671,252</u>

**CITY OF CHICO, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009**

	<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	\$ (459,816)	\$ 8,371	\$ 9,574	\$ -	\$ (441,871)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	-	12,799	-	84,341	97,140
Miscellaneous revenue	133,336	555	-	-	133,891
Changes in assets and liabilities:					
Accounts receivable	(72)	500	-	-	428
Intergovernmental receivable	-	61,688	-	-	61,688
Other assets	25,955	-	-	8,138	34,093
Inventories	-	10,887	-	-	10,887
Accounts payable	39,245	(11,415)	(5,933)	13,995	35,892
Accrued salaries and benefits	(348)	2,888	3,078	2,254	7,872
Intergovernmental payable	-	-	-	36,509	36,509
Compensated absences	4,183	1,140	2,236	27,823	35,382
Claims liability	435,768	-	-	-	435,768
Total adjustments	<u>638,067</u>	<u>79,042</u>	<u>(619)</u>	<u>173,060</u>	<u>889,550</u>
Net cash provided (used) by operating activities	<u>\$ 178,251</u>	<u>\$ 87,413</u>	<u>\$ 8,955</u>	<u>\$ 173,060</u>	<u>\$ 447,679</u>



CITY OF CHICO, CALIFORNIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2009

	Assessment Districts			Balance, June 30, 2009
	Balance, July 1, 2008	Additions	Deletions	
ASSETS				
Restricted cash and investments	\$ 2,014,914	\$ 2,021,112	\$ (3,247,982)	\$ 788,044
Receivables:				
Property taxes	2,267	3,170	(2,272)	3,165
Loans	112,558	-	(6,621)	105,937
Total assets	<u>\$ 2,129,739</u>	<u>\$ 2,024,282</u>	<u>\$ (3,256,875)</u>	<u>\$ 897,146</u>
LIABILITIES				
Special assessment deposits	<u>\$ 2,129,739</u>	<u>\$ 2,024,282</u>	<u>\$ (3,256,875)</u>	<u>\$ 897,146</u>
	Employee Benefits			Balance, June 30, 2009
	Balance, July 1, 2008	Additions	Deletions	
ASSETS				
Restricted cash and investments	<u>\$ 269,841</u>	<u>\$ 4,806</u>	<u>\$ (274,647)</u>	<u>\$ -</u>
LIABILITIES				
Other liabilities	<u>\$ 269,841</u>	<u>\$ 4,806</u>	<u>\$ (274,647)</u>	<u>\$ -</u>
	Totals			Balance, June 30, 2009
	Balance, July 1, 2008	Additions	Deletions	
ASSETS				
Restricted cash and investments	\$ 2,284,755	\$ 2,025,918	\$ (3,522,629)	\$ 788,044
Receivables:				
Taxes	2,267	3,170	(2,272)	3,165
Loans	112,558	-	(6,621)	105,937
Total assets	<u>\$ 2,399,580</u>	<u>\$ 2,029,088</u>	<u>\$ (3,531,522)</u>	<u>\$ 897,146</u>
LIABILITIES				
Special assessment deposits	\$ 2,129,739	\$ 2,024,282	\$ (3,256,875)	\$ 897,146
Other liabilities	269,841	4,806	(274,647)	-
Total liabilities	<u>\$ 2,399,580</u>	<u>\$ 2,029,088</u>	<u>\$ (3,531,522)</u>	<u>\$ 897,146</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.

Contents	Page
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 Seven Fiscal Years
(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>
Governmental activities							
Invested in capital assets, net of related debt	\$ (8,611) ¹	\$ 127,868 ²	\$ 140,733	\$ 174,427	\$ 192,459	\$ 219,235	\$ 222,778
Restricted	35,552	34,791	40,001	59,257	62,168	70,687	77,167
Unrestricted	24,341	24,906	26,304	15,690	14,721	(12,704)	(30,894)
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>
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
Restricted	-	-	232	235	236	1,543	2,764
Unrestricted	5,223	4,641	3,248	2,362	2,914	705	(3,422)
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>
Primary government							
Invested in capital assets, net of related debt	\$ 30,508	\$ 185,110	\$ 200,691	\$ 239,568	\$ 261,518	\$ 298,041	\$ 322,431
Restricted	35,552	34,791	40,233	59,492	62,404	72,230	79,931
Unrestricted	29,564	29,547	29,552	18,052	17,636	(11,999)	(34,316)
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>

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

¹ The City had not yet recorded its infrastructure retroactive to 1980.

² The City retroactively reported its infrastructure in fiscal year 2004.

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

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

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

¹ Prior to fiscal year 2005 community agencies expenses were included with the general government expenses

² The increase over the prior period is due to major remediation work at the Humboldt Road Burn Dump

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

⁴ 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

⁵ 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

⁶ 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

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

⁸ 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)

⁹ 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

¹⁰ 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

¹¹ 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

City of Chico, California
Fund Balances of Governmental Funds
Last Seven 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>
General fund							
Reserved	\$ 236	\$ 85	\$ 358	\$ 440	\$ 124	\$ 536	\$ 7,410
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>2,181</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>
All other governmental funds							
Reserved	\$ 25,403	\$ 25,840	\$ 35,123	\$ 49,060	\$ 47,368	\$ 53,714	\$ 56,876
Unreserved, reported in:							
Special revenue funds	1,628	1,916	702	1,298	4,224	52,551	21,815
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>	<u>33,530</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>

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 seven years of data for this schedule to conform to the presentation in the schedule of Changes in Fund Balances of Governmental Funds that follows.

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

City of Chico, California
Changes in Fund Balances of Governmental Funds
Last Seven 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>
Revenues							
Property taxes	\$ 13,847	\$ 16,087	\$ 21,442	\$ 30,319	\$ 37,062	\$ 41,285	\$ 43,479
Sales and use taxes	13,989	14,822	15,826	17,425	17,122	17,353	15,622
Other taxes	7,348	8,120	8,577	9,522	10,044	10,713	10,701
Licenses and permits	59	68	79	87	105	104	111
Intergovernmental	9,135	9,477	11,831	12,647	14,796	24,019	14,967
Charges for services	8,071	9,952	8,524	11,032	8,692	7,579	3,933
Fines, forfeitures, and penalties	774	774	908	887	875	898	895
Use of money and property	2,288	1,720	2,165	3,958	6,450	5,659	3,205
Miscellaneous	3,343	782	584	289	533	289	588
Total revenues	<u>58,854</u>	<u>61,802</u>	<u>69,936</u>	<u>86,166</u>	<u>95,679</u>	<u>107,899</u>	<u>93,501</u>
Expenditures							
General government	4,028	3,802	3,897	4,550	5,225	5,188	1,775
Public safety	22,905	25,095	25,944	29,851	33,514	35,876	36,187
Public works	4,465	4,282	5,118	7,483	9,637	8,993	8,654
Parks and recreation	2,494	2,816	2,640	2,873	2,720	3,409	3,502
Community development	2,382	2,102	2,875	3,777	5,963	4,692	5,271
Community agencies	699	661	505	628	814	851	764
Redevelopment	5,950	7,957	8,674	15,064	17,333	13,416	15,113
Capital outlay	8,461	13,035	14,012	16,239	23,279	28,400	41,745
Debt service							
Principal retirement	2,265	2,509	2,713	2,808	3,072	3,888	4,024
Interest and fiscal charges	3,661	3,419	3,339	4,445	6,378	5,792	5,935
Bond issuance and fiscal agent fees	-	-	-	1,328	-	510	-
Advanced refunding of bonds	-	-	-	-	-	59	-
Total expenditures	<u>57,310</u>	<u>65,678</u>	<u>69,717</u>	<u>89,046</u>	<u>107,935</u>	<u>111,074</u>	<u>122,970</u>
Excess of revenues over (under) expenditures	1,544	(3,876)	219	(2,880)	(12,256)	(3,175)	(29,469)
Other financing sources (uses)							
Transfers in	10,529	10,577	10,594	13,997	15,917	36,333	7,442
Transfers out	(8,972)	(9,320)	(8,080)	(13,262)	(14,081)	(34,188)	(7,398)
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	-	-	-	-	-	-	18,221
Total other financing sources (uses)	<u>1,557</u>	<u>1,257</u>	<u>3,031</u>	<u>71,134</u>	<u>2,268</u>	<u>2,665</u>	<u>18,265</u>
Net change in fund balance	<u>\$ 3,101</u>	<u>\$ (2,619)</u>	<u>\$ 3,250</u>	<u>\$ 68,256</u>	<u>\$ (9,988)</u>	<u>\$ (510)</u>	<u>\$ (11,204)</u>
Debt service as a percentage of noncapital expenditures	12%	11%	11%	12%	11%	12%	12%

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 six 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).

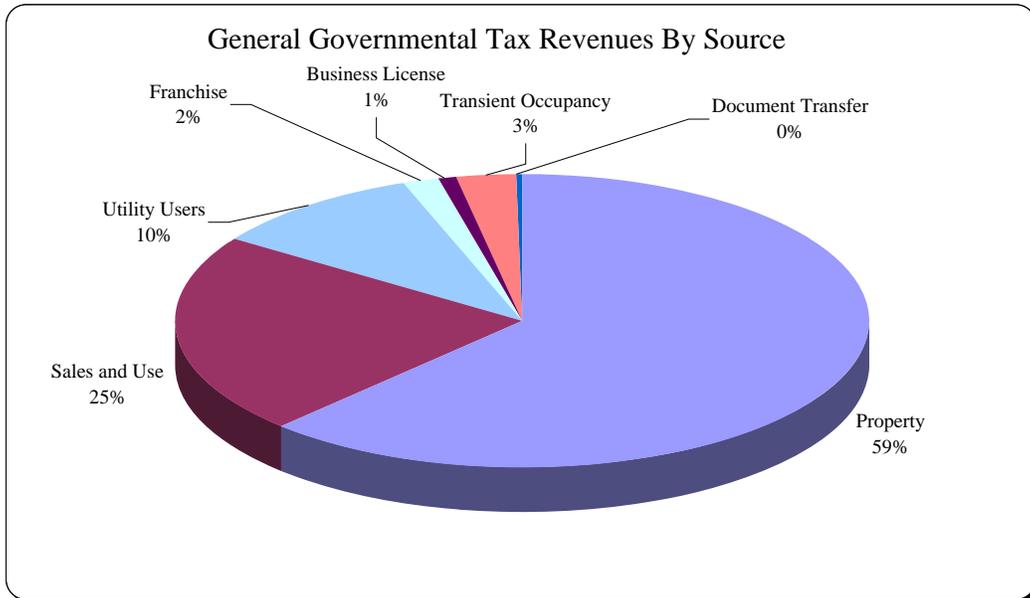
City of Chico, California
General Governmental Tax Revenues By Source
Last Seven Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

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

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 %	
2000	\$ 2,799,758	\$ 4,121	\$ 266,662	\$ 3,070,541	\$ 274,403	\$ 2,796,138	0.0100	
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	

Chico Redevelopment Agency

Fiscal Year				Gross Assessed				Total Direct
	Secured Roll	Utility Roll	Unsecured Roll	Value	Less Exemptions	Net Assessed Value	Tax Rate %	
2000	\$ 2,034,362	\$ 2,001	\$ 211,619	\$ 2,247,982	\$ 45,920	\$ 2,202,061	0.0100	
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	

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)	
2000	1.00%	0.00%	1.00%	0.0491%	-	1.0491%
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

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, 2009
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
Chico Crossroads LP	\$ 37,984	1	0.55%			-
Carwood Skypark LLC	31,966	2	0.47			-
Chico Mall LP	28,594	3	0.42			-
Costco Wholesale Corporation	21,025	4	0.31	8,911	10	0.13%
Merle A. Webb and Sons	19,908	5	0.29			-
Evergreen Orchard LLC	18,911	6	0.28			-
California Water Service Company	18,502	7	0.27			-
Lowes HIW Inc.	17,907	8	0.26			-
Chico Senior Living Delaware	17,136	9	0.25			-
Enloe Medical Center	16,825	10	0.25			-
Equitable Life Assurance Society			-	37,641	1	0.55
Pan Pacific Development LLC			-	21,089	2	0.31
Wal Mart Stores Inc.			-	19,766	3	0.29
Home Depot USA Inc.			-	13,809	4	0.20
Western Investment Real Estate Trust			-	12,560	5	0.18
Edward E. & Mary L. Wittmeier			-	12,428	6	0.18
Gregory L. & Joan R. Webb, Et. Al.			-	11,339	7	0.17
1661 Forest Avenue Investors			-	10,200	8	0.15
J C Penney Properties Inc.			-	9,499	9	0.14
Largest Secured Property Valuation	228,758		3.74	157,241		2.19
Other Secured Taxpayers	6,633,525		96.26	2,378,702		97.81
Total Secured Property Valuation - Net of Exemptions	\$ 6,862,283		100.00%	\$ 2,535,944		100.00%

Source: Butte County Auditor/Controller's Office.
HdL's "1999 and 2008/09 Top Property Taxpayers - Secured."

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy		Total Tax Collections	Percent of Total Collections to Tax Levy
			Collected (1)	Delinquent Tax Collections		
2000	\$ 10,770	\$ 10,770	100%	-	\$ 10,770	100%
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

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)

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Loans	Capital Leases	Revenue Bonds	Loans			
2000	-	\$ 44,800	\$ 25,284	\$ 55	\$ 3,260	\$ 7,945	\$ 81,344	1.90%	\$ 1,347
2001	-	43,870	25,650	221	3,195	8,067	81,003	1.77	1,239
2002	-	56,820	25,546	161	3,125	8,067	93,719	1.95	1,393
2003	-	55,470	24,631	224	3,055	7,778	91,158	1.86	1,326
2004	-	54,060	23,532	160	2,980	7,431	88,163	1.73	1,239
2005	-	52,465	22,414	92	2,420	7,078	84,469	1.54	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	1,934

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 2009 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)

Fiscal Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	Less: Amount Available in Debt <u>Service Fund</u>	<u>Total</u>	Percentage of Assessed <u>Value</u>	Per <u>Capita</u>	City <u>Population</u>	<u>Net Assessed Value</u>
2000	-	-	-	-	-	60,400	2,796,138
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

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, 2009
(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	\$ 55,350	73.19%	\$ 40,510
Butte-Glenn Community College District	80,313	39.03%	<u>31,348</u>
Subtotal, overlapping debt			71,858
City of Chico direct debt			<u>156,938</u>
Total direct and overlapping debt			<u><u>\$ 228,796</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>2000</u>	<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>
Total Assessed Valuation (less other exemptions)	\$ 2,796,137	\$ 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
Debt Limit - 15 Percent of Assessed Valuation (1)	\$ 419,421	\$ 455,605	\$ 496,547	\$ 542,175	\$ 594,979	\$ 671,977	\$ 765,936	\$ 872,450	\$ 1,008,677	\$ 1,096,155
Amount of Debt Applicable to Debt Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 419,421	\$ 455,605	\$ 496,547	\$ 542,175	\$ 594,979	\$ 671,977	\$ 765,936	\$ 872,450	\$ 1,008,677	\$ 1,096,155
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	
1999	\$ 691,570	\$ 286,050	\$ 405,520	\$ 264,538	1.53	\$ 8,393,386	\$ 815,000	\$ 2,684,504	2.40
2000	743,620	306,936	436,684	261,688	1.67	8,713,425	860,000	2,641,882	2.49
2001	748,078	317,785	430,293	263,748	1.63	9,346,265	930,000	2,597,169	2.65
2002	768,435	371,550	396,885	265,433	1.50	10,210,996	1,725,000	2,410,420	2.47
2003	759,113	398,446	360,667	261,758	1.38	10,758,412	1,350,000	2,844,755	2.56
2004	737,675	408,953	328,722	262,978	1.25	12,636,105	1,410,000	2,787,556	3.01
2005	792,161	440,059	352,102	243,746	1.44	18,679,113	1,595,000	2,726,934	4.32
2006	1,119,233	710,991	408,242	229,439	1.78	22,230,697	1,660,000	3,862,737	4.03
2007	1,161,331	639,478	521,853	229,799	2.27	27,149,432	1,895,000	5,825,416	3.52
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

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)
2000	60,400	6.2%	201,282	\$ 4,275,291	\$ 21,240	6.8%
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

Note: Personal income and per capita personal income are based on the calendar year information ending during the fiscal year. Fiscal year 2009 is an estimate.

In addition, total personal income for just the City of Chico is unavailable. As a result, the City is using information for the Chico Metropolitan Area (Butte County) for total personal income and per capita personal income figures.

- (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>2009*</u>			<u>2000</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	7.41%	2,076	1	7.21%
California State University, Chico	1,825	2	5.94	1,850	2	6.42
Chico Unified School District	1,400	3	4.56	1,324	3	4.60
City of Chico	442	4	1.44	418	6	1.45
Wal-Mart Stores Inc.	400	5	1.30	290	10	1.01
Sierra Nevada Brewery	325	6	1.06	-	-	-
Sun Gard Bi-Tech	200	7	0.65	-	-	-
Aero Union Corporation	175	8	0.57	-	-	-
Chico Enterprise Record	150	9	0.49	-	-	-
Smuckers	125	10	0.41	-	-	-
Butte Community College	-	-	-	1,200	4	4.17
Fleetwood Motor Homes	-	-	-	700	5	2.43
Tri-Counties Bank	-	-	-	320	7	1.11
Koret of California	-	-	-	320	7	1.11
Ed Wittmeirer Auto Center	-	-	-	300	9	1.04
Total	<u>7,317</u>		<u>16.79%</u>	<u>8,798</u>		<u>30.16%</u>

* No current data available for this statistic, therefore 2008 statistics are carried from the prior year. Numbers are estimates, therefore rounded to the nearest 25. Koret of California was included in 2008 statistics, but are no longer in Chico, so the 11th largest employer from 2008 was included in its place.

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

Function	Full-time and Part-time Employees									
	<u>2000</u>	<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>
General government	50	50	52	50	50	53	56	54	57	55
Public safety										
Police	123	127	141	141	140	142	151	159	157	151
Fire	63	66	66	69	69	69	72	74	74	74
Public works	63	65	67	70	72	72	76	79	72	70
Parks and recreation	26	27	28	28	26	26	28	27	23	23
Community development	4	4	4	4	4	4	4	4	4	5
Sewer	16	17	17	17	17	17	18	17	17	16
Parking	2	2	2	2	2	2	2	2	2	2
Private development	35	39	38	35	41	40	44	46	46	45
Airport	1	1	1	1	1	1	1	1	1	1
Total	383	397	416	417	422	426	452	463	453	442

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>2000</u>	<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>
Police										
Calls for service*	75,986	84,816	95,675	99,143	105,845	107,271	105,942	108,939	115,373	119,469
Arrests*	4,119	4,756	4,780	4,196	4,550	4,562	5,085	5,562	6,110	6,249
Fire										
Service calls answered*	444	505	700	703	565	645	571	759	818	856
Medical emergencies*	3,058	3,668	4,265	4,242	4,707	4,874	5,744	6,100	6,688	7,227
Public works										
Street resurfacing (tons of asphalt)	1,406	999	1,367	2,030	2,235	1,952	2,866	1,801	1,161	1,072
Community development										
Annexation activity (net acreage)*	12,451	12,837	13,101	13,302	13,554	13,729	14,413	15,736	15,963	16,192
Code violation notices issued	269	267	548	651	503	490	585	523	693	710
Sewer										
Maximum daily treatment capacity (million gallons)	6	9	9	9	9	9	9	9	9	9
Parking										
Parking meter repairs	624	576	708	796	1,648	1,296	900	1,058	707	740
Private development										
Residential building permits	422	386	513	662	593	498	471	340	225	127
Commercial building permits	34	50	43	52	56	105	95	26	20	20
Airport										
Passengers per year (loading/unloading)	58,842	54,338	41,335	34,947	34,197	36,963	36,322	51,153	50,376	35,883 ¹
Transit										
Passengers per year (Chico Area Transit)	834,101	810,585	852,112	823,458	866,825	833,982	-	-	-	-
Passengers per year (Clipper)	62,262	62,467	60,381	60,523	59,211	59,097	-	-	-	-
Total										

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

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

Source: City of Chico departments.

1 - Represents passengers through March 31, 2009 (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

Function	Fiscal Year									
	<u>2000</u>	<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>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol cars	18	18	18	20	21	23	24	23	23	25
Fire										
Fire stations	5	5	5	5	5	5	5	5	6	6
Fire hydrants*	2,304	2,373	2,438	2,556	2,686	2,761	2,846	2,905	3,023	3,160
Public works										
Street (miles)**	195.3	202.2	206.3	209	215.2	217.5	233.1	243.3	254.8	256.6
Traffic signals	92	92	92	92	93	93	94	97	98	98
Parks and recreation										
Park acreage	3754.9	3754.9	3758.4	3758.4	3758.4	3758.4	3758.4	3758.4	3758.4	3758.4
Sewer										
Sanitary sewer (miles)	192.1	194.4	195.2	196.4	198.8	199.9	204.5	208.4	210.2	211.95
Storm sewer (miles)	199.0	199.6	200.4	201.1	203.3	205.5	212.0	215.5	218.8	220.73
Parking										
Parking lots	5	5	5	5	5	5	5	5	5	5
Parking structures	1	1	1	1	1	1	1	1	1	1
Airport										
Runway lengths 13L/31R (feet)	6722	6722	6722	6722	6722	6722	6722	6722	6724	6724
Runway lengths 13R/31L (feet)	3005	3005	3005	3005	3005	3005	3005	3005	3000	3000
Transit										
Clipper buses	15	18	18	18	20	20	-	-	-	-
Cats buses	8	8	8	17	11	11	-	-	-	-

The City of Chico's transit operations transferred over to Butte County Association of Governments (BCAG) July 1, 2005; therefore, the City of Chico has no transit Capital Asset indicators 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 (2008).